Theme

ANNUAL REPORT 2007

Theme International Holdings Limited

(Incorporated in Bermuda with limited liability) (Stock Code:990)

Contents

Chairman's Statement

The turnover of the Group was HK$317 million for 2007, an increase of 10% when compared with 2006. As of 31 December 2007, the net loss attributable to shareholders was HK$25.8 million. The Board of Directors does not recommend a final dividend.

Chairman's Statement

The disappointing performance of Theme in the past year was primarily due to over aggressive and untimely market development resulted from the incorrect marketing strategies adopted by the senior management in the PRC market, particularly the problems in the inefficient management of sale and purchase of garments, causing deeper discount offered and excessive inventory required to be written off. Our loss in Taiwan was further widened by the unstable political situation in 2007.

In view of the buoyant stock market, the Group successfully raised HK$179 million in August 2007, resulting in a significant improvement in our financial position. As a result of the increased capital, we implemented major reforms in the Group's business. Apart from replacing senior management staff in the second half of the year, we also actively dealt with the problem of excessive inventory. We are planning to adjust and optimize our management and coordination in market research, production, sale and inventory in order to respond more quickly to the changing market trend. With a view to gaining a larger market share, we have also formulated a new set of market development strategies. The Group is undergoing a radical transformation, which has already achieved initial result. We are confident that the Group will be able to turnaround in 2008.

I would like to express my sincere appreciation to all staff for their dedication and my gratitude to the stakeholders for their unfailing support. With the new business strategy, we are confident in the Group's future and will use our best endeavors to improve the results of the Group.

Lam Foo Wah
Chairman and CEO

Hong Kong, 8 April 2008

Management Discussion and Analysis

Revenue for the year of 2007 was HK$317 million, representing an increase of 10% when compared to HK$287 million for 2006.

Net loss attributable to shareholders was HK$25.8 million for the year, as a result of a HK$19.7 million drop in gross profit, compared to a net loss attributable to shareholders of HK6.6 million for last year.

Management Discussion and Analysis

Review of Operation

In the People's Republic of China ("PRC"), despite revenue increase by 41%, gross profit margin dropped from 71% to 57%. The main reasons for the margin drop were over-inventory, garments being sold at a much deeper discount in 2007 and further provision being made for excessive inventory.

Loss in Taiwan rose to HK$14.5 million for the year. Continuous unstable social environment resulted in a revenue fall by 17% and a drop of 33% in gross profit in Taiwan.

The profit/loss analysis by region is as follows:

	Revenue		Contribution	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Retail, Wholesale & Manufacturing of fashion				
PRC	**178,297**	126,495	**(3,047)**	10,988
Taiwan	**103,308**	124,382	**(14,472)**	(7,390)
Hong Kong	**13,782**	16,139	**306**	(1,902)
South East Asia	**11,298**	11,121	**1,483**	492
	306,685	278,137	**(15,730)**	2,188
Others	**10,253**	8,970	**(2,333)**	(2,786)
Total	**316,938**	287,107	**(18,063)**	(598)

Selling and distribution expenses increased by 6% partly due to the increase in retail sales revenue by 14% and the increase in rental expenses.

There was a slight decrease in administrative expenses of 4% because of the reduction in corporate overhead in relation to staff cost, promotion and offices expenses upon merger of Theme and Cslr.

Management Discussion and Analysis

Liquidity and Financial Resources

In view of the buoyant stock market, the Group launched an open offer of the shares in August 2007 and raised a total of HK$179 million, which served to improve the overall financial position and enhance the competitiveness of the Group.

In August 2007, the aggregate loan of HK$49 million due to immediate holding company, Navigation Limited was fully repaid out of the proceeds of open offer.

Bank loan reduced from HK$61.8 million in 2006 to HK$29.6 million in 2007 as of the balance sheet date, after repayment of the bank loan had been made in October 2007 from the proceeds of open offer.

The Group's receivables were mainly denominated in Hong Kong dollar, Renminbi and New Taiwan dollar. The entire bank borrowings were either denominated in Renminbi or Hong Kong Dollar. The Group considers that its foreign exchange risk is not material.

Interest expenses increased by 17% due to the increase in interest rate in PRC, but it is expected the interest expenses would come down significantly in 2008 as most of the loan was repaid before the balance sheet date.

As at 31 December 2007, the current ratio was 2.07. Based on the current cash position and available banking facilities, the Group should have sufficient liquidity to meet its operational needs.

Human Resources

As of 31 December 2007, the total number of employees of the Group including factory workers was about 2,000. Other than the competitive remuneration package offered to the employees, share options may also be granted to the selected employees based on the Group's performance. The Group did not grant any options during the year.

General

The Group had no material contingent liabilities as of the balance sheet date. The major capital expenditure during the year was the acquisition of its office premises and equipment total HK$17.5 million. Except for the above, there was no material capital expenditure during the year. Through enhancing working efficiencies, the management of Theme continued to reduce corporate administrative expenses. Also a strict control on stock purchasing and discount policies can improve the gross profit margin.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. LAM Foo Wah, aged 59, joined the Group in 2000. Mr. Lam is an Executive Director and the Chairman of the Company. He is also a co-founder, the chairman and managing director of High Fashion International Limited ("HFIL"). He oversees operations and is responsible for formulating the overall policy and development of the Group. He has over 30 years' experience in the manufacturing and marketing of garments. HFIL is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. SO Siu Hang, Patricia, aged 49, joined the Group in 2000. Ms. So is an Executive Director of the Company and also is an executive director of High Fashion International Limited. She holds a bachelor's degree in commerce and finance from the University of Toronto and a master's degree in business administration from York University in Canada. She was a Non-Executive Director of the Company during July 2000 to August 2001. Prior to joining the Group, she worked for an international bank.

Independent Non-executive Directors

Mr. MAK Kam Sing, aged 56, joined the Group in 2000. Mr. Mak is an Independent Non-executive Director, a member of Audit Committee and the Chairman of Remuneration Committee of the Company. He is currently the managing director of a garment company engaging in trading, wholesale and retail business. Mr. Mak has many years of rich experience in the garment trading and original design branding of kid's wear field.

Mr. WONG Shiu Hoi, Peter, aged 67, joined the Group in 2004. Mr. Wong is an Independent Non-executive Director, the Chairman of Audit Committee and a member of Remuneration Committee of the Company. He holds a Master of Business Administration Degree from the University of East Asia, Macau (currently known as the "University of Macau"). Mr. Wong possesses over 30 years of experience in the financial services industry. He is the managing director and chief executive of Taifook Securities Group Limited and an independent non-executive director of High Fashion International Limited, the shares of these companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Wong is the chairman of The Hong Kong Institute of Directors.

Mr. LEUNG Hok Lim, FCPA (Aust.), CPA (Macau), FCPA (Practising), aged 73, joined the Group in 2007. He is an Independent Non-executive Director, a member of the Audit Committee and the Remuneration Committee of the Company. He is the founder and senior partner of PKF, Accountants and Business Advisers. Mr. Leung obtained a fellowship with Hong Kong Institute of Certified Public Accountants in 1973. He is a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited and an Independent Non-Executive Director in a number of listed companies in Hong Kong.

Biographical Details of Directors and Senior Management

Senior Management

Ms. CHAN Wai Wei, Cynthia, aged 35, joined the Group in 2000. Ms. Chan is the Company Secretary of the Company and has over 10 years' experience in accounting and auditing. Prior to joining the Group, she worked for an international accounting firm. She is a member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries & Administrators.

Mr. CHEN Zhen Hu, aged 58, is the factory manager of the manufacturing subsidiaries starting from 1992. He has been the general manager of the factory since 1994 and oversees the overall operations of the factory. Mr. Chen has extensive practical experience in corporate management and, under his leadership, the factory became the first fashion production enterprise in Dongguan to obtain ISO9002 certificate in early 1995. During his management, he is devoted to the establishment of excellent management culture, increase in productivity and product quality and accomplishment of the core corporate competitiveness through a series of reformations.

Mr. ENG Cheuk Wah, Edmond, aged 69, joined the Group in 2001. Mr. Eng is the managing director and the principal of the subsidiary in Taiwan. Prior to joining the Group, he worked as a director of several large companies and an executive director of a listed company in US. Mr. Eng has over 30 years' experience in business operations in Taiwan and has good experience in managing multinational company.

Mr. LIN Yuet Man, Edwin, aged 47, joined the Group in 2000. Mr. Lin is the Qualified Accountant of the Company and has over 25 years' experience in accounting field. He is a member of The Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries & Administrators. He also holds a master's degree in business administration.

Ms. KWAN Wah Ming, aged 64, joined the Group in 1994. Ms. Kwan is an assistant to the Chairman of the Group and sampling and quality control officer. Prior to joining the Group, she worked for various companies engaging in garment trading business.

Mr. WONG Ah Tung, aged 42, joined the Group in 2007. Mr. Wong is a director of a subsidiary and responsible for the development and marketing of the Group. Prior to joining the Group, he worked for Guess group in Philippine and was responsible for retail operations of the various international brands. He possesses operational experience over 20 years in mainland China, Hong Kong and Philippine in retailing.

Directors' Report

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2007.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries, associates and jointly controlled entities are set out in notes 37, 18 and 19 to the financial statements, respectively.

The Group is principally engaged in retailing and trading of garments.

There were no significant changes in the nature of the Group's principal activities during the year.

Financial Results

The Group's loss for the year ended 31 December 2007 and the state of affairs of the Group at that date are set out in the financial statements on pages 31 to 94.

Financial Information Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 95. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

Share Capital

Details of movements in the Company's share capital are set out in note 27 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors' Report

Purchase, Sale or Redemption of the Listed Securities of the Company

During the year ended 31 December 2007, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

Distributable Reserves

At 31 December 2007, the Company did not have any reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended). However, the Company's share premium account, in the amount of HK$1,049,454,000, may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the year under review, sales and purchases attributable to the five largest customers and suppliers accounted for less than 30% of the total Group's sales and purchases for the year, respectively.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Lam Foo Wah	
Wong Shing Loong, Raymond	(resigned on 30 April 2007)
Hui Yip Wing	(resigned on 1 August 2007)
So Siu Hang, Patricia	(appointed on 1 July 2007)

Independent Non-executive Directors:

Mak Kam Sing	
Wong Shiu Hoi, Peter	
Yeung Kwok Wing	(resigned on 1 March 2007)
Leung Hok Lim	(appointed on 1 March 2007)

Directors – Continued

In accordance with bye-law 87 of the Company, Mr. Lam Foo Wah and Mr. Mak Kam Sing will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 86(2) of the Company, Ms. So Siu Hang, Patricia who was appointed an Executive Director of the Company on 1 July 2007, will hold office until the forthcoming annual general meeting and, being eligible, offer herself for re-election.

Independence Confirmation

Pursuant to the Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), each Independent Non-executive Director reaffirmed his independent status with the Company as at 31 December 2007, and the Company considered that they are independent.

Directors' Emoluments

Details of the Directors' emoluments for year 2007 are set out in the Remuneration Committee of the Corporate Governance Report on page 25, and particulars as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 12 and 13 to the financial statements.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 10 of the annual report.

Directors' Service Contracts

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

Save as disclosed in note 35 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Directors' and Chief Executives' Long and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2007, the long positions and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including long positions and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO), the Model Code contained in the Listing Rules and which have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, were as follows:

(i) Long Positions in the Company's Shares

Name of director	Capacity	Nature of interest	Number of ordinary shares held	Percentage of the Company's share capital
Lam Foo Wah	Interest of controlled corporation	Corporate	5,044,094,541 (Note 1)	56.27% (Note 2)

Notes:

1. The 5,044,094,541 shares of the Company are registered in the name of Navigation Limited which is an indirect wholly-owned subsidiary of High Fashion International Limited ("High Fashion"), representing approximately 56.27% of the issued share capital of the Company. Pursuant to the SFO, Mr. Lam Foo Wah is deemed to have an interest in 5,044,094,541 ordinary shares of the Company as a result of his shareholding of 43.71% in High Fashion.

2. The issued share capital of the Company is 8,964,549,597 shares as at 31 December 2007.

(ii) Long Positions in the Shares of Associated Corporations

(a) High Fashion – ultimate holding company of the Company

Name of Director	Notes	Capacity	Nature of interest	Number of ordinary shares held	Percentage of High Fashion's issued capital (Note 3)
Lam Foo Wah	1, 2	Other Interest	Other	143,719,986	43.71%
So Siu Hang, Patricia		Beneficial Owner	Personal	2,824,309	0.86%

Directors' and Chief Executives' Long and Short Positions in Shares, Underlying Shares and Debentures – Continued

(ii) Long Positions in the Shares of Associated Corporations – Continued

(b) High Fashion Knitters Limited ("HF Knitters") – fellow subsidiary of the Company

Name of director	Note	Capacity	Nature of interest	Number of ordinary shares held	Percentage of HF Knitters's issued capital
Lam Foo Wah	4	Interest of controlled corporations	Corporate	5,339,431	35.60%

Notes:

1. Mr. Lam Foo Wah is deemed to have an interest in 108,802,419 shares of High Fashion which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.

2. Mr. Lam Foo Wah is deemed to have an interest in 34,917,567 shares of High Fashion which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.

3. The issued share capital of High Fashion is 328,815,550 shares as at 31 December 2007.

4. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Save as disclosed above, as at 31 December 2007, the directors, chief executives of the Company nor their associates had or was deemed to have any long positions or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

Furthermore, save as disclosed in the "Share Option Scheme" section below, at no time for the year ended 31 December 2007 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Option Scheme

Pursuant to the Company's share option scheme, there were no outstanding options at the beginning and at the end of the year ended 31 December 2007. No options were granted, exercised, cancelled or lapsed under the existing share option scheme during the year. Details of the share option scheme are set out in note 30 to the financial statements.

During the year ended 31 December 2007, no rights were granted to the directors, chief executives of the Company, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company.

Substantial Shareholder

As at 31 December 2007, the following substantial shareholders, other than directors or chief executive of the Company, had an interest in the shares or short position and underlying shares of the Company which fall to be disclosed to the Company pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to Section 336 of SFO:

Long Positions in the Company's Shares:

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage of the Company's share capital
High Fashion International Limited (Note 1)	Interest of controlled corporations	5,044,094,541	56.27% (Note 2)

Notes:

1. These interests have been disclosed as the interests of Mr. Lam Foo Wah in the "Directors' and Chief Executives' Long and Short Positions in Shares, Underlying Shares and Debentures" above.

2. The issued share capital of the Company is 8,964,549,597 shares as at 31 December 2007.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and Chief Executives' Long and Short Positions in Shares, Underlying Shares and Debentures" above, at 31 December 2007, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Conversion of Convertible Notes

The 20 convertible notes of HK$3,311,000 each aggregating HK$66,220,000 issued by the Company in favour of Navigation Limited, a subsidiary of High Fashion, were converted into 959,707,594 new shares of the Company on 29 May 2007 in accordance with the terms of the convertible notes. Details of conversion of convertible notes are set out in note 29 to the financial statements.

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2007 are disclosed in note 35 to the financial statements.

Connected Transaction and Continuing Connected Transactions

(a) In prior years, loan facilities in the amount of HK$100 million (the "Loan") were granted to the Company by Navigation Limited, a wholly-owned subsidiary of High Fashion. Pursuant to a deed of waiver and payment restructuring dated 14 September 2004 made between Navigation Limited and the Company, HK$45 million was waived and the Loan amount should be reduced to HK$55 million, in which HK$20 million and HK$35 million should be repayable by 31 December 2005 and 31 December 2006 respectively. HK$6 million was repaid in prior year. High Fashion confirmed that the remaining Loan would be extended to 31 December 2008 on the same terms, except that the Company can, with two weeks' prior notice, early repay the remaining Loan or part of the remaining Loan together with accrued interest thereon. Accordingly, there was a remaining loan of HK$49 million repayable as at 31 December 2007.

In August 2007, the Company fully repaid the remaining Loan in the amount of HK$49 million to Navigation Limited according to the use of net proceeds of the Open Offer, the details of which is set out in the announcement on 20 July 2007 and the prospectus dated 13 August 2007, together with accrued interest thereon.

(b) On 3 January 2007, Dongguan Yihao Fashions Limited (the "Subcontractor") entered into a subcontracting agreement (the "Subcontracting Agreement") with High Fashion (China) Co., Ltd. and Dongguan Dalisheng Fashion Co., Ltd. (collectively the "Principal") for the provision of the Production Service by the Subcontractor to the Principal upon and subject to the terms and conditions set out therein. It is a term of the Subcontracting Agreement that the subcontracting order fees for the three financial years ending 31 December 2009, respectively, shall not exceed the annual cap of HK$9,900,000.

Since October 2000, Dongguan Sanyue Fashions Limited ("Dongguan Sanyue"), a 92% non-wholly owned subsidiary of the Company, has during peak production seasons accepted subcontracting orders from various members of the High Fashion Group for it to supply to such members of the High Fashion Group labour and raw materials for production of garments and accessories for the High Fashion Group in return for subcontracting charges. For the purpose of consolidating business into wholly owned subsidiaries of the Company and complying with Rule 14A.35 of the Listing Rules, the subcontracting services originally provided by Dongguan Sanyue above are to be provided by the Subcontractor to the Principal with effect from 1 January 2007 of the Subcontracting Agreement.

Connected Transaction and Continuing Connected Transactions – Continued

High Fashion is a substantial shareholder of the Company holding approximately 75% of the entire issued share capital of the Company as at the date of execution of the Subcontracting Agreement and is also the holding company of the Principal. High Fashion is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Subcontracting Agreement constituted a continuing connected transaction of the Company under the Listing Rules.

During the year ended 31 December 2007, the subcontracting order fees received by the Subcontractor was HK$8,643,000.

(c) On 26 November 2007, the Subcontractor (as defined (b) above) entered into a conditional subcontracting agreement (the "Conditional Subcontracting Agreement") with the Principal (as defined (b) above) for the provision of the Production Service by the Subcontractor to the Principal upon and subject to the terms and conditions set out therein. It is a term of the Conditional Subcontracting Agreement that the subcontracting order fees for each of the three financial years ending on 31 December 2010, respectively, shall not exceed the annual cap of HK$30,000,000.

Upon the Conditional Subcontracting Agreement becoming unconditional, the Subcontracting Agreement should be automatically terminated.

High Fashion is a substantial shareholder of the Company holding approximately 51% of the entire issued share capital of the Company as at the date of execution of the Conditional Subcontracting Agreement and is also the holding company of the Principal. High Fashion is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Conditional Subcontracting Agreement constituted a continuing connected transaction of the Company under the Listing Rules and were approved by the Independent Shareholders at the Company's special general meeting on 3 January 2008.

Details of such transaction set out in the announcement dated 26 November 2007 and the circular dated 12 December 2007.

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transaction mentioned in (b) above have been entered into (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms; (iii) in accordance with the relevant agreement governing such transaction on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iv) within the annual cap set out in the relevant announcement.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is a sufficiency of public float of the Company's securities as required under the Listing Rules.

Post Balance Sheet Events

Details of the post balance sheet events are disclosed in note 36 to the financial statements.

Corporate Governance

The Company has complied with all the code provisions and to certain extent of the recommended best practices set out in Appendix 14 Code on Corporate Governance Practices of the Listing Rules throughout the accounting year ended 31 December 2007, except code provision on A.2.1 on the separate roles of the chairman and CEO. Details of the Company's corporate governance report are set out on pages 20 to 28.

Auditors

The financial statements for the year ended 31 December 2007 were audited by Deloitte Touche Tohmatsu.

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lam Foo Wah
Chairman

Hong Kong, 8 April 2008

Corporate Governance Report

The Board of Directors ("Board") and the management of the Company are committed to establishment and maintaining of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and accountability and transparency to all shareholders.

The Company has complied with all the code provisions and to certain extent of the recommended best practices set out in Appendix 14 Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting year ended 31 December 2007, except code provision on A.2.1 on the separate roles of the chairman and chief executive officer ("CEO") as described below.

Board Composition and Board Practices

The Board of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

As at year end, the Board of the Company consisted of five directors, comprising two executive directors and three independent non-executive directors. One of the three independent non-executive directors has appropriate professional qualifications, or accounting or related financial management expertise. The names of directors and their positions during the year were as follows:

Name of Director	**Position**
Executive directors:	
Mr. Lam Foo Wah	Chairman & CEO
Mr. Hui Yip Wing (note 1)	Vice Chairman & CEO
Mr. Wong Shing Loong, Raymond (note 2)	Executive Director
Ms. So Siu Hang, Patricia (note 3)	Executive Director
Non-executive directors:	
Professor Yeung Kwok Wing (note 4)	Independent Non-Executive Director
Mr. Mak Kam Sing	Independent Non-Executive Director
Mr. Wong Shiu Hoi, Peter	Independent Non-Executive Director
Mr. Leung Hok Lim (note 5)	Independent Non-Executive Director

Board Composition and Board Practices – Continued

Notes:

1. Mr. Hui Yip Wing resigned on 1 August 2007.
2. Mr. Wong Shing Loong, Raymond resigned on 30 April 2007.
3. Ms. So Siu Hang, Patricia was appointed on 1 July 2007.
4. Professor Yeung Kwok Wing resigned on 1 March 2007.
5. Mr. Leung Hok Lim was appointed on 1 March 2007.

Over a half of the member in the Board is Independent Non-executive Director and each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-Laws and the CG Code. In accordance with the Company's Bye-Laws, newly appointed director(s) is/are required to retire and can offer themselves for re-election at the first general meeting following their appointment.

The Board meets regularly and hold meeting four times during the year for facilitating the function of the Board. In any event all directors were available for consultation by management from time to time during the year. The attendance of individual director to the Baord meeting is set out on page 26 of this report.

Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' biographical information is set out on pages 9 to 10.

In order to ensure that the Board is able to fulfill its responsibilities, it has established and delegated specific responsibilities to the Audit Committee and Remuneration Committee. The details of the committees are stipulated on pages 23 to 25 of this report.

The Company provides at least 14 days' notice of every Board meeting to all directors to give them an opportunity to attend. Board papers are circulated not less than three days before the Board meetings to enable the directors to make informed decisions on matters to be raised at the Board meetings.

The Qualified Accountant and the Company Secretary shall attend the regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to seek independent professional advice whenever deemed necessary by the directors. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings.

Board Composition and Board Practices – Continued

All directors should have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Appropriate insurance cover on directors and officers liabilities has been in force to protect the directors and officers of the Group from their risk exposure arising from the businesses of the Group.

Chairman and Chief Executive Officer

The positions of the Chairman of the Board ("Chairman") and CEO are held and performed by Mr. Lam Foo Wah, the same individual. Although it deviates from the code provision A.2.1 of the CG Code, the Board considers that the function of the Chairman and CEO in the Company's strategic planning and development process are overlapping and it may not be for the benefit of the Company to have separate individuals occupying these two offices given the conditions of the Group and its stage of development.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; evaluating the performance of the Group; and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

Management is responsible for the day-to-day operations of the Group under the leadership of the Chairman who is also the CEO. The CEO, working with the other executive directors and the executive management team of each business division, is responsible for managing the businesses of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group. All directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group.

With the support of executive directors and the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. Apart from the regular Board meetings, the Chairman may hold meetings with the Independent Non-Executive Directors without the presence of Executive Directors.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions.

Confirmation has been sought from all directors and they have complied with the required standard set out in the Model Code for the year ended 31 December 2007.

The Company has established the written guidelines on no less exacting terms than the Model Code relating to securities transactions for the relevant employees.

Directors' Responsibility for the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Group.

With the assistance of the finance department which is under the supervision of the Qualified Accountant of the Company, the directors ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The directors also ensure the publication of the financial statements of the Group is in a timely manner.

The report of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 29 to 30.

Auditors' Remuneration

The Group's external auditors are Deloitte Touche Tohmatsu. For the year ended 31 December 2007, the Auditors of the Company received approximately HK$1,085,000 for audit service.

Audit Committee

During the financial year, the audit committee of the Company (the "Audit Committee") comprises three Independent Non-executive Directors namely, Mr. Wong Shiu Hoi, Peter (the Chairman of the Audit Committee), Mr. Mak Kam Sing and Mr. Leung Hok Lim.

In April 2008, the Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2007.

Audit Committee – Continued

The Company has complied with the requirement of the Listing Rules in establishing an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be Independent Non-Executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee adopted the terms of reference with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the requirements of the CG Code. The terms of reference of the Audit Committee are posted on the Company's website.

The main duties of the Audit Committee are set out below:

(i) to recommend to the Board on the appointment, reappointment and removal of the external auditors, and any questions of resignation or dismissal of the auditors;

(ii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(iii) to develop and implement policy on the engagement of an external auditors to supply non-audit services;

(iv) to monitor integrity of financial statements of the Company and the Company's annual and interim reports and accounts, and to review significant financial reporting judgments contained in such reports;

(v) to review the Company's financial controls, internal control and risk management systems; and

(vi) to review the Group's financial and accounting policies and practices.

The Audit Committee held two regular meetings during the year to review and provide supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the Auditors of the Company. The members' attendance to the Audit Committee meeting is listed out on page 26.

Minutes drafted by the secretary of Audit Committee are circulated to members of the Audit Committee within a reasonable time after each meeting.

No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.

Remuneration Committee

The Company established a remuneration committee ("Remuneration Committee") under the Board in August 2005. During the year, the Remuneration Committee comprises three independent non-executive directors, namely, Mr. Mak Kam Sing (Chairman of the Remuneration Committee), Mr. Wong Shiu Hoi, Peter and Mr. Leung Hok Lim. A regular meeting of Remuneration Committee has been convened in September 2007 and the members' attendance to the Remuneration Committee meeting is listed out on page 26.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. Terms of reference of the Remuneration Committee which have been adopted by the Board are posted on the Company's website.

The Remuneration Committee shall consult the Chairman about their proposals relating to remuneration package and other human resources issues of the directors and senior management of the Company. The emoluments of directors and senior management are based on the skill, knowledge and involvement in the Company's affairs of each director and senior management and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Nomination of Directors

The Company has not established any nomination committee and would not consider establishing a nomination committee owing to the small size of the Board. The Chairman of the Board is responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition and the management of board succession. The Board carries out the process of selecting and recommending candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary.

Nomination of Directors – Continued

Records of attendance for Board and the respective Committees meetings held during the year:

	Attendance/Number of Meetings held		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive directors:			
Mr. Lam Foo Wah	4/4	N/A	N/A
Mr. Hui Yip Wing	3/3	N/A	N/A
Mr. Wong Shing Loong, Raymond	1/1	N/A	N/A
Ms. So Siu Hang, Patricia	2/2	N/A	N/A
Independent non-executive directors:			
Professor Yeung Kwok Wing	N/A	N/A	N/A
Mr. Mak Kam Sing	4/4	2/2	1/1
Mr. Wong Shiu Hoi, Peter	3/4	2/2	1/1
Mr. Leung Hok Lim	2/4	2/2	1/1

Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board conducts reviews of the effectiveness of the internal control system for the year ended 31 December 2007 covering all material controls, including financial, operational and compliance controls and risk management functions by considering reviews performed by the Audit Committee, executive management and both the group internal audit department and external auditors. The Group's system of internal control comprises a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations.

The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Internal Control – Continued

The criteria for the Board to assess the effectiveness of the system of internal control are listed below:

(i) Organisational Structure

An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been already established.

(ii) Authority and Control

The relevant executive directors and senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments. The Board shall be responsible for handling and dissemination of price sensitive information through discussion and delegation of authority to the Company Secretary.

(iii) Budgetary Control and Financial Reporting

Budgets are prepared annually by the senior management and are subject to review and approval of the executive directors prior to being adopted. There are procedures for the appraisal, review and approval of major capital and recurrent expenditure. Results of operations against budgets are reported regularly to the executive directors. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

(iv) Systems and Procedures

Systems and procedures are set to identify, measure, manage and control risks including business, compliance, operational, financial and information services risks that may have an impact on the Group and each principal division. Exposure to these risks is monitored by the Executive Directors and the management of the respective principal divisions.

(v) Internal Audit

The group internal audit department performs independent reviews of the controls and risks identified to provide reasonable assurance to management of the Company and principal divisions and the Audit Committee that controls have been set in place and adequately addressed.

The group internal audit department monitors compliance with policies and procedures as well as the effectiveness of internal control structures across the Company and the Group. To preserve the independence of the group internal audit department, the group internal audit department reports directly to the Audit Committee. The group internal audit department plans its internal audit schedules annually in consultation with, but independent of, management of the Group and the principal divisions. In addition to its agreed annual schedule of work, the group internal audit department conducts other special reviews as required. As a key criterion of assessing the effectiveness of the internal control system, the Board and the Audit Committee actively monitor the number and seriousness of findings raised by the group internal audit department and also the corrective actions taken by relevant departments.

Internal Control – Continued

According to the 2007 Internal Audit reports, the Group's internal control system is functioning effectively and there was no significant weakness found in the course of the audits carried out during the year. The Board, through the Audit Committee and the internal audit function, has reviewed the effectiveness of the Group's internal control systems and is of the view that there are no suspected frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations that cause the Board to believe that the systems of internal control are ineffective or inadequate. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the CG Code for the year ended 31 December 2007.

Communication with Shareholders

At 2007 Annual General Meeting ("2007 AGM"), a separate resolution was proposed by the Chairman of that meeting in respect of each separate issue, including the re-election of directors. The Chairman of the Board, and chairmen of the Audit and Remuneration Committees, or in absence of the chairman of such committees, any member from the respective committees, attended the 2007 AGM to address shareholders' queries.

The rights of shareholders to demand a poll and the procedures for a poll voting on resolutions at shareholders' meetings are contained in the bye-laws of the Company. Details of such rights and procedures are included in the circulars in relation to shareholders' meeting(s).

The Company establishes different communication channels with shareholders and investors: (i) shareholders can receive printed copies of corporate information, (ii) the general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (iii) the Company's website offers communication channel between the Company and its shareholders and investors; and (iv) the Company's Sub-Registrar and Transfer Agent in Hong Kong serve the shareholders respecting all share registration matters.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
THEME INTERNATIONAL HOLDINGS LIMITED
榮暉國際集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Theme International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 94, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

8 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Revenue	7	**316,938**	287,107
Cost of sales		**(143,523)**	(93,944)
Gross profit		**173,415**	193,163
Other income		**16,381**	7,692
Selling and distribution expenses		**(135,925)**	(128,094)
Administrative expenses		**(70,478)**	(73,359)
Share of loss of jointly controlled entities		**(1,456)**	–
Finance costs	9	**(7,132)**	(6,100)
Loss before taxation		**(25,195)**	(6,698)
Taxation (charge) credit	10	**(608)**	117
Loss for the year attributable to the shareholders of the Company	11	**(25,803)**	(6,581)
Loss per share	14	**HK(0.39) cent**	HK(0.1) cent

Consolidated Balance Sheet

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	15	**47,161**	40,468
Intangible assets	16	**10,300**	11,300
Prepaid lease payments	17	**34,331**	29,500
Investments in associates	18	**–**	–
Investments in jointly controlled entities	19	**544**	–
Available-for-sale investments	20	**675**	675
Deferred taxation	28	**1,656**	1,440
		94,667	83,383
Current assets			
Inventories	21	**75,131**	64,200
Trade receivables	22	**37,668**	28,300
Deposits, prepayments and other receivables	23	**35,203**	26,994
Amounts due from fellow subsidiaries	35	**16,338**	3,673
Amounts due from jointly controlled entities	35	**8,993**	–
Bank balances and cash	24	**37,906**	29,216
		211,239	152,383
Current liabilities			
Trade payables	25	**24,543**	23,767
Other payables and accrued charges		**44,354**	40,639
Amount due to immediate holding company	35	**–**	3,872
Amounts due to fellow subsidiaries	35	**–**	2,237
Amount due to an associate	35	**596**	599
Taxation		**2,751**	2,181
Bank borrowings	26	**29,654**	17,323
		101,898	90,618

	NOTES	2007 HK$'000	2006 HK$'000
Net current assets		**109,341**	61,765
Total assets less current liabilities		**204,008**	145,148
Non-current liabilities			
Bank borrowings	26	**–**	44,500
Amount due to immediate holding company	35	**–**	49,000
		–	93,500
Net assets		**204,008**	51,648
Capital and reserves			
Share capital	27	**89,645**	50,167
Convertible notes	29	**–**	66,220
Reserves		**113,563**	(65,539)
Equity attributable to equity holders of the Company		**203,208**	50,848
Minority interests		**800**	800
Total equity		**204,008**	51,648

The consolidated financial statements on pages 31 to 94 were approved and authorised for issue by the Board of Directors on 8 April 2008 and are signed on its behalf by:

Lam Foo Wah
DIRECTOR

So Siu Hang, Patricia
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Shareholder's contribution HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Convertible notes HK$'000 (note 29)	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006	50,167	846,922	34,503	45,000	(13,050)	(977,207)	66,220	52,555	800	53,355
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	4,874	–	–	4,874	–	4,874
Loss for the year	–	–	–	–	–	(6,581)	–	(6,581)	–	(6,581)
Total recognised income (expense) for the year	–	–	–	–	4,874	(6,581)	–	(1,707)	–	(1,707)
At 31 December 2006	50,167	846,922	34,503	45,000	(8,176)	(983,788)	66,220	50,848	800	51,648
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	2,373	–	–	2,373	–	2,373
Loss for the year	–	–	–	–	–	(25,803)	–	(25,803)	–	(25,803)
Total recognised income (expense) for the year	–	–	–	–	2,373	(25,803)	–	(23,430)	–	(23,430)
Issue of shares										
– issue of new shares	29,881	149,409	–	–	–	–	–	179,290	–	179,290
– upon conversion of convertible notes	9,597	56,623	–	–	–	–	(66,220)	–	–	–
Share issue expense	–	(3,500)	–	–	–	–	–	(3,500)	–	(3,500)
At 31 December 2007	89,645	1,049,454	34,503	45,000	(5,803)	(1,009,591)	–	203,208	800	204,008

The contributed surplus of the Group represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

Consolidated Cash Flow Statement
For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(25,195)**	(6,698)
Adjustments for:		
Allowance for obsolete inventories	**8,124**	1,249
Allowance for (write back) bad and doubtful debts	**917**	(152)
Finance costs	**7,132**	6,100
Interest income	**(831)**	(138)
Depreciation of property, plant and equipment	**11,619**	12,477
Amortisation of intangible assets	**1,000**	500
Amortisation of prepaid lease payments	**518**	112
Loss on disposal of property, plant and equipment	**1,403**	290
Share of loss of jointly controlled entities	**1,456**	–
Operating cash flows before movements in working capital	**6,143**	13,740
Increase in inventories	**(19,055)**	(9,272)
Increase in trade receivables	**(9,393)**	(1,026)
Increase in deposits, prepayments and other receivables	**(9,101)**	(10,578)
(Increase) decrease in amounts due from fellow subsidiaries	**(4,970)**	3,242
Increase in trade payables	**776**	6,613
Increase in other payables and accrued charges	**14,166**	3,690
Cash (used in) generated from operations	**(21,434)**	6,409
Interest received	**831**	138
Overseas income taxes paid	**(256)**	(2,202)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(20,859)**	4,345

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	NOTE	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Decrease in amount due to an associate		**(3)**	(3)
Increase in amounts due from jointly controlled entities		**(8,993)**	–
(Increase) decrease in amounts due from fellow subsidiaries		**(7,695)**	295
Purchases of property, plant and equipment		**(28,125)**	(22,902)
Prepaid lease payments		**(5,349)**	(30,071)
Acquisition of interest in jointly controlled entities		**(2,000)**	–
Proceeds from disposal of property, plant and equipment		**132**	249
Acquisition of business	32	**–**	(15,954)
NET CASH USED IN INVESTING ACTIVITIES		**(52,033)**	(68,386)
FINANCING ACTIVITIES			
Proceeds on issue of shares		**179,290**	–
Net cash inflow from trust receipt loans		**1,917**	181
Repayment to immediate holding company		**(52,872)**	–
(Decrease) increase in amounts due to fellow subsidiaries		**(2,237)**	1,793
Repayment of bank loans		**(33,694)**	–
Finance cost paid		**(7,132)**	(2,228)
Expenses on issue of shares		**(3,500)**	–
New bank loans raised		**–**	59,500
NET CASH FROM FINANCING ACTIVITIES		**81,772**	59,246
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**8,880**	(4,795)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**28,824**	28,988
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**202**	4,631
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**37,906**	28,824
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**37,906**	29,216
Bank overdrafts		**–**	(392)
		37,906	28,824

1. General

The Company is incorporated in Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is High Fashion International Limited ("High Fashion"), a company incorporated in Bermuda and its shares are listed on the Stock Exchange. Its immediate holding company is Navigation Limited ("Navigation"), a wholly-owned subsidiary of High Fashion and is incorporated in the British Virgin Islands ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are the manufacturing, retailing and trading of garments and uniform. The Company and its subsidiaries are referred to as "the Group".

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") – Continued

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions[3]
HK(IFRIC) – INT 12	Service concession arrangements[4]
HK(IFRIC) – INT 13	Customer loyalty programmes[5]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[4]

1 Effective for accounting periods beginning on or after 1 January 2009.
2 Effective for accounting periods beginning on or after 1 July 2009.
3 Effective for accounting periods beginning on or after 1 March 2007.
4 Effective for accounting periods beginning on or after 1 January 2008.
5 Effective for accounting periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. Significant Accounting Policies – Continued

Business combinations

The acquisition of business are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations", which are recognised and measured at fair value less cost to sell.

Goodwill arising on acquisition, if any, is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet as an intangible asset and is carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. Significant Accounting Policies – Continued

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investments in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. Significant Accounting Policies – Continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Subcontracting fee income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Commission income are recognised when services are provided.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. Significant Accounting Policies – Continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. Significant Accounting Policies – Continued

Foreign currencies – Continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases, used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

3. Significant Accounting Policies – Continued

Taxation – Continued

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Other intangible assets

Other intangible assets consist of trademarks that are recognised at fair value upon acquisition as part of a business combination. Subsequent to initial recognition they are carried at cost less accumulated amortisation. Amortisation is calculated to write off the cost on a straight-line basis over the expected useful life of 10 years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Inventories comprise raw materials, work in progress and finished goods. Cost includes direct materials, direct labour costs and overheads that have been incurred in bringing the inventories and work in progress to their present location and condition and is calculated using the weighted average method. Net realisable value is estimated by management and is determined by reference to the selling price less all costs to completion and costs to be incurred in selling and distribution.

Impairment on tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies – Continued

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The accounting policies adopted are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, receivables (including trade receivables, deposits and other receivables, amounts due from fellow subsidiaries, amounts due from jointly controlled entities and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

3. Significant Accounting Policies – Continued

Financial instruments – Continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. Significant Accounting Policies – Continued

Financial instruments – Continued

Impairment of financial assets – Continued

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, other payables, amounts due to immediate holding company, fellow subsidiaries and an associate and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible notes

A convertible note that will be settled only by the Company exchanging a fixed number of its own shares for a fixed amount of cash is an equity instrument.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies – Continued

Financial instruments – Continued

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is also discussed below.

Allowance for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are not suitable for use in current production. The management estimates the net realisable value for such raw materials, work in progress and finished goods based primarily on the latest invoice prices and current market conditions. However, given the competitiveness of the industry, these prices may subsequently be affected. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for these items.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 26 and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the issue of new shares as well as the issue of new debt or the repayment of existing debt.

6. Financial Instruments

Categories of financial instruments

	2007 **HK$'000**	2006 HK$'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**117,651**	74,750
Available-for-sale financial assets	**675**	675
Financial liabilities		
Amortised cost	**81,095**	156,393

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, bank balances, amounts due from fellow subsidiaries, amounts due from jointly controlled entities, trade payables, other payables, amount due to immediate holding company and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Due to the settlement of most of the monetary items at foreign currency before balance sheet date, the Group does not have significant balances of foreign currency monetary items at the balance sheet dates. As a result, the directors considered that the Group's exposure to foreign currency exchange risk is insignificant.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances as well as variable-rate bank borrowings (see note 26 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

The interest rate risk on bank deposits is limited because of the short maturity.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market rates arising from the Group's HK$ and RMB borrowings.

6. Financial Instruments – Continued

Financial risk management objectives and policies – Continued

Market risk – Continued

Interest rate risk – Continued

Sensitivity analysis

For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2007 would increase/ decrease by HK$148,000 (2006: increase/decrease by HK$552,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which causes a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on amounts due from subsidiaries of High Fashion and amounts due from jointly controlled entities, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The subsidiaries of High Fashion are financially supported by High Fashion. Accordingly, the directors of the Company consider the credit risk is minimal in the view of the financial background of High Fashion.

6. Financial Instruments – Continued

Financial risk management objectives and policies – Continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 3 month HK$'000	3–6 months HK$'000	6 months to 1 year HK$'000	1–2 years HK$'000	Over 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2007 HK$'000
2007								
Non-derivative financial liabilities								
Trade payables	–	24,543	–	–	–	–	24,543	24,543
Other payables	–	26,302	–	–	–	–	26,302	26,302
Amount due to an associate	–	596	–	–	–	–	596	596
Bank loans – variable rate*	7.2	4,382	465	26,735	–	–	31,582	29,654
		55,823	465	26,735	–	–	83,023	81,095

6. Financial Instruments – Continued

Financial risk management objectives and policies – Continued

Liquidity risk – Continued

Liquidity and interest risk tables – Continued

	Weighted average effective interest rate %	Less than 3 month HK$'000	3–6 months HK$'000	6 months to 1 year HK$'000	1–2 years HK$'000	Over 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2006 HK$'000
2006								
Non-derivative financial liabilities								
Trade payables	–	23,767	–	–	–	–	23,767	23,767
Other payables	–	15,095	–	–	–	–	15,095	15,095
Amount due to immediate holding company	–	3,872	–	–	–	–	3,872	3,872
Amounts due to fellow subsidiaries	–	2,237	–	–	–	–	2,237	2,237
Amount due to an associate	–	599	–	–	–	–	599	599
Amounts due to immediate holding company	7.9	968	968	1,935	52,871	–	56,742	49,000
Bank overdrafts	4.8	392	–	–	–	–	392	392
Bank loans – variable rate*	6.7	1,029	1,029	18,989	17,517	34,018	72,582	61,431
		47,959	1,997	20,924	70,388	34,018	175,286	156,393

* The interest rates applied to project undiscounted cash flows of variable rate bank loans are the interest rates at the balance sheet date.

6. Financial Instruments – Continued

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. Revenue

Revenue, which is also turnover of the Group, represents the amounts received and receivable for goods sold by the Group to outsider customers, less discounts and sales related tax, and subcontracting fee income for the year, and is analysed as follows:

	2007 **HK$'000**	2006 HK$'000
Sales of goods	**298,123**	270,368
Subcontracting fee income	**18,815**	16,739
	316,938	287,107

8. Segment Information

The directors report the geographical segments as the Group's primary segment information.

Geographical segments

The following table provides an analysis of the Group's sales by location of markets:

Consolidated income statement

	Hong Kong and Macau		People's Republic of China ("PRC")		Taiwan		Singapore		Elimination		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue												
External sales	**27,545**	26,961	**178,458**	128,768	**103,308**	124,382	**7,627**	6,996	**–**	–	**316,938**	287,107
Inter-segment sales	**20,563**	42,504	**68,455**	84,283	**–**	–	**–**	–	**(89,018)**	(126,787)	**–**	–
	48,108	69,465	**246,913**	213,051	**103,308**	124,382	**7,627**	6,996	**(89,018)**	(126,787)	**316,938**	287,107
Segment results	**341**	(3,878)	**(3,346)**	10,285	**(14,479)**	(6,991)	**46**	(152)			**(17,438)**	(736)
Interest income											**831**	138
Share of loss of jointly controlled entities	**–**	–	**(1,456)**	–	**–**	–	**–**	–			**(1,456)**	–
Finance costs											**(7,132)**	(6,100)
Loss before taxation											**(25,195)**	(6,698)
Taxation (charge) credit											**(608)**	117
Loss for the year											**(25,803)**	(6,581)

Inter-segment sales are charged at prevailing market rates.

8. Segment Information – Continued

Geographical segments – Continued

Consolidated balance sheet

	Hong Kong and Macau		PRC		Taiwan		Singapore		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS										
Segment assets	**19,666**	14,344	**186,318**	142,906	**31,629**	41,276	**2,182**	2,236	**239,795**	200,762
Investments in jointly controlled entities	**–**	–	**544**	–	**–**	–	**–**	–	**544**	–
Unallocated corporate assets									**65,567**	35,004
Total assets									**305,906**	235,766
LIABILITIES										
Segment liabilities	**10,577**	12,624	**47,988**	42,398	**10,181**	12,042	**151**	177	**68,897**	67,241
Unallocated corporate liabilities									**33,001**	116,877
Total liabilities									**101,898**	184,118

8. Segment Information – Continued

Geographical segments – Continued

Other information

	Hong Kong and Macau		PRC		Taiwan		Singapore		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amortisation of prepaid lease payments	**–**	–	**518**	112	**–**	–	**–**	–	**518**	112
Amortisation of intangible assets	**–**	–	**1,000**	500	**–**	–	**–**	–	**1,000**	500
Additions to property, plant and equipment	**748**	3,179	**15,403**	24,150	**1,513**	5,890	**10**	134	**17,674**	33,353
Depreciation of property, plant and equipment	**1,672**	1,496	**5,821**	5,276	**4,005**	5,542	**121**	163	**11,619**	12,477
Loss (gain) on disposal of property, plant and equipment	**554**	–	**160**	(69)	**689**	359	**–**	–	**1,403**	290
Allowance for (write back) obsolete inventories	**821**	68	**2,381**	2,744	**4,883**	(1,511)	**39**	(52)	**8,124**	1,249
Allowance for (write back) bad and doubtful debts	**196**	(152)	**721**	–	**–**	–	**–**	–	**917**	(152)

8. Segment Information – Continued

Business segments

For management purposes, the Group is currently organised into two operating business – manufacturing, retailing and trading of garments ("Fashion") and manufacturing and trading of uniform ("Uniform").

The following table provides an analysis of the Group's sales by business segments:

	Revenue by business segments	
	2007	2006
	HK$'000	HK$'000
Fashion	**306,685**	278,137
Uniform	**10,253**	8,970
	316,938	287,107

The following is an analysis of the carrying amount of segment assets at the balance sheet date, and additions to property, plant and equipment during the year which is analysed by business segments:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fashion	**230,253**	199,096	**17,673**	33,353
Uniform	**9,542**	1,666	**1**	–
	239,795	200,762	**17,674**	33,353

9. Finance Costs

	2007 HK$'000	2006 HK$'000
Bank charges	**423**	317
Interest on:		
Bank loans, overdrafts and other borrowings wholly repayable within five years	**4,181**	1,911
Amount due to immediate holding company wholly repayable within five years	**2,528**	3,872
	7,132	6,100

10. Taxation (Charge) Credit

	2007 HK$'000	2006 HK$'000
Taxation (charge) credit comprises:		
Current tax charge		
PRC and other jurisdictions	**(2,494)**	(986)
Over(under)provision in prior years		
PRC and other jurisdictions	**1,668**	(266)
Deferred taxation (note 28)	**218**	1,369
	(608)	117

Hong Kong profit tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

10. Taxation (Charge) Credit – Continued

Dong Guan Yihao Fashions Limited ("Dongguan Yihao") is a foreign-invested enterprise operating in the PRC and is entitled to an exemption from PRC income tax for the two years starting from its first profit-marking year, followed by 50% tax relief for the next three years. Dongguan Yihao started its profit in the current year. Dongguan Yihao is recognised as a "Production Foreign Enterprise". In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", Dongguan Yihao is subject to income tax at a tax rate of 24%.

Taxation for other PRC subsidiaries is calculated at a tax rate of 33%.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The taxation (charge) credit for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2007 **HK$'000**	2006 HK$'000
Loss before taxation	**25,195**	6,698
Tax at the applicable tax rate of 33% (2006: 25%)	**8,314**	1,675
Tax effect of expenses not deductible for tax purpose	**(4,058)**	(747)
Tax effect of income not taxable for tax purpose	**222**	–
Tax effect of share of loss of jointly controlled entities	**(481)**	–
Utilisation of estimated tax losses previously not recognised	**789**	1,223
Tax effect of estimated tax losses not recognised	**(4,567)**	(1,742)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(679)**	(1,357)
Effect of tax exemptions granted to PRC subsidiaries	**1,520**	799
(Over)underprovision in prior years	**(1,668)**	266
Taxation (charge) credit for the year	**(608)**	117

10. Taxation (Charge) Credit – Continued

During the year, the taxation is mainly arising from the subsidiary operating in PRC with the prevailing tax rate of 33%.

In year 2006, the tax credit was mainly arising from the subsidiary operating in Taiwan with the prevailing tax rate of 25%.

11. Loss for the Year

	2007 **HK$'000**	2006 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Allowance for obsolete inventories (included in cost of sales)	**8,124**	1,249
Cost of inventories recognised as expenses	**110,743**	71,490
Allowance for (write back) bad and doubtful debts	**917**	(152)
Depreciation of property, plant and equipment	**11,619**	12,477
Amortisation of intangible assets	**1,000**	500
Amortisation of prepaid lease payments	**518**	112
Auditor's remuneration	**1,085**	967
Operating lease rentals in respect of rented premises	**65,128**	41,022
Contingent rents (note)	**16,853**	33,796
Loss on disposal of property, plant and equipment	**1,403**	290
Net foreign exchange (gain) loss	**(2,397)**	1,608
Directors' remuneration (note 12)	**1,961**	2,972
Other staff costs		
Salaries and allowances	**57,274**	67,369
Retirement benefits scheme contributions	**2,322**	4,005
	59,596	71,374
Interest income	**(831)**	(138)
Commission income	**(10,077)**	(6,626)
Sub-letting rental income (included in selling and distribution expenses)	**(4,006)**	(4,006)

Note: The contingent rents are determined based on a certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

12. Directors' Remuneration

The emoluments paid or payable to each of the 8 (2006: 6) directors were as follows:

For the year ended 31 December 2007

	Lam Foo Wah HK$'000	Hui Yip Wing HK$'000	Wong Shing Loong, Raymond HK$'000	So Siu Hang, Patricia HK$'000	Leung Hok Lim HK$'000	Mak Kam Sing HK$'000	Yeung Kwok Wing HK$'000	Wong Shiu Hoi, Peter HK$'000	Total 2007 HK$'000
Fees	–	–	–	–	101	120	20	120	361
Other emoluments									
Salaries and other benefits	–	1,593	–	–	–	–	–	–	1,593
Contributions to retirement benefits schemes	–	7	–	–	–	–	–	–	7
Total emoluments	–	1,600	–	–	101	120	20	120	1,961

For the year ended 31 December 2006

	Lam Foo Wah HK$'000	Hui Yip Wing HK$'000	Wong Shing Loong, Raymond HK$'000	Mak Kam Sing HK$'000	Yeung Kwok Wing HK$'000	Wong Shiu Hoi, Peter HK$'000	Total 2006 HK$'000
Fees	–	–	–	120	120	120	360
Other emoluments							
Salaries and other benefits	–	2,600	–	–	–	–	2,600
Contributions to retirement benefits schemes	–	12	–	–	–	–	12
Total emoluments	–	2,612	–	120	120	120	2,972

12. Directors' Remuneration – Continued

Mr. Lam Foo Wah, Mr. Wong Shing Loong, Raymond and Ms. So Siu Hang, Patricia did not receive remuneration from the Group as they are also the directors of High Fashion. Their remuneration has been paid by High Fashion.

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

13. Employees' Emoluments

Of the five highest paid individuals in the Group, one (2006: one) was director of the Company whose emoluments are included in the disclosures in note 12. The emoluments of the remaining four (2006: four) highest paid individuals were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and allowances	**2,411**	3,390
Retirement benefits scheme contributions	**34**	21
	2,445	3,411

Their emoluments were within the following bands:

	2007 No. of employees	2006 No. of employees
Nil to HK$1,000,000	**4**	3
HK$1,000,001 to HK$1,500,000	**–**	1
	4	4

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. Loss Per Share

The calculation of basic loss per share for the year 31 December 2007 together with the comparative figures for 2006 are based on the following data:

	2007 **HK$'000**	2006 HK$'000
Loss for the purpose of basic loss per share attributable to equity holders of the Company	**(25,803)**	(6,581)

	Number	Number
Weighted average number of ordinary shares for the purpose of basic loss per share	**6,626,948,707**	5,016,658,804

No diluted loss per share has been presented for both years because the conversion of the mandatory convertible notes would reduce the loss per share.

15. Property, Plant and Equipment

	Buildings HK$'000	Plant and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2006	–	8,333	48,195	1,997	58,525
Additions	17,378	446	15,024	505	33,353
Acquired on acquisition of business	–	9	201	50	260
Disposals	–	–	(6,310)	(311)	(6,621)
Exchange realignment	–	1	820	48	869
At 31 December 2006	17,378	8,789	57,930	2,289	86,386
Additions	3,526	207	13,810	131	17,674
Disposals	–	(508)	(10,326)	(175)	(11,009)
Exchange realignment	1,308	758	2,204	136	4,406
At 31 December 2007	**22,212**	**9,246**	**63,618**	**2,381**	**97,457**

15. Property, Plant and Equipment – Continued

	Buildings HK$'000	Plant and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
DEPRECIATION					
At 1 January 2006	–	6,423	31,591	871	38,885
Provided for the year	85	546	11,527	319	12,477
Eliminated on disposals	–	–	(5,920)	(162)	(6,082)
Exchange realignment	2	1	616	19	638
At 31 December 2006	87	6,970	37,814	1,047	45,918
Provided for the year	409	373	10,475	362	11,619
Eliminated on disposals	–	(468)	(8,854)	(152)	(9,474)
Exchange realignment	7	695	1,460	71	2,233
At 31 December 2007	**503**	**7,570**	**40,895**	**1,328**	**50,296**
CARRYING VALUES					
At 31 December 2007	**21,709**	**1,676**	**22,723**	**1,053**	**47,161**
At 31 December 2006	17,291	1,819	20,116	1,242	40,468

At 31 December 2007, the Group's buildings included above are located in the PRC and are held under long lease.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the lease terms, or 50 years
Plant and equipment	15%
Furniture and fixtures at:	
Shops	Over the lease terms
Sales counters and offices	20%
Office equipment	20%
Motor vehicles	20%

16. Intangible Assets

	Goodwill HK$'000	Trademarks HK$'000	Total HK$'000
COST			
At 1 January 2006	–	–	–
Acquired on acquisition of business	1,800	10,000	11,800
At 31 December 2006 and 31 December 2007	1,800	10,000	11,800
AMORTISATION			
At 1 January 2006	–	–	–
Provided for the year	–	500	500
At 31 December 2006 and 1 January 2007	–	500	500
Provided for the year	–	1,000	1,000
At 31 December 2007	–	1,500	1,500
CARRYING VALUES			
At 31 December 2007	1,800	8,500	10,300
At 31 December 2006	1,800	9,500	11,300

16. Intangible Assets – Continued

Notes:

(a) The trademarks were amortised over 10 years.

(b) For impairment assessment of goodwill, goodwill is allocated to the Group's cash generating unit (CGU) for an identifiable retail business line of "CSLR".

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used in value-in-use calculations include:

(i) gross margin ranging from 50% to 70% per annum;

(ii) growth rate used to extrapolate cash flow projections beyond the period covered by budgets ranging from 0% to 2% per annum; and

(iii) discount rate of 12% per annum.

These assumptions have been used for the analysis of the CGU within the geographical segment.

Management determined budgeted gross margin based on past performance and the expectations for the market development.

17. Prepaid Lease Payments

The Group's prepaid lease payments represent the leasehold land located in the PRC under long lease.

The amounts are analysed for reporting purposes as:

	2007	2006
	HK$'000	HK$'000
Current asset (included in deposits, prepayments and other receivables)	**543**	459
Non-current asset	**34,331**	29,500
	34,874	29,959

The leasehold land is amortised on a straight-line basis over the lease terms.

18. Investments in Associates

	2007 HK$'000	2006 HK$'000
Cost of investment in associates, unlisted	**2,000**	2,000
Share of post-acquisition losses	**(2,000)**	(2,000)
	–	–

Details of the Group's associates at 31 December 2007 are set out as follows:

Name of entity	Form of business structure	Place of incorporation or registration/operation	Proportion of nominal value of issued share capital/registered capital held by the Group %	Principal activity
Sherman-Theme (China) Limited	Incorporated	Hong Kong	50	Investment holding
Shenyang Sherman – Theme Fashion Limited	Incorporated	PRC	30	Inactive

18. Investments in Associates – Continued

The summarised financial information in respect of the Group's associates is set out below:

	2007 HK$'000	2006 HK$'000
Total assets	–	–
Total liabilities	(1,575)	(1,572)
Net liabilities	(1,575)	(1,572)
Group's share of net assets of associates	–	–
Revenue	–	–
Loss for the year	(3)	(3)
Group's share of result of associates for the year	–	–

The investments in associates have been fully impaired by the Group in previous years. The Group has discontinued recognition of its share of losses of certain associates.

19. Investments in Jointly Controlled Entities

	2007 HK$'000	2006 HK$'000
Cost of investment in jointly controlled entities	2,000	–
Share of post-acquisition losses	(1,456)	–
	544	–

Details of the Group's jointly controlled entities at 31 December 2007 are set out as follows:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued share capital held by the Group %	Principal activity
STTM Limited	Incorporated	Hong Kong	50	Retailing of garments
Flaming China Limited	Incorporated	Hong Kong	50	Retailing of garments

19. Investments in Jointly Controlled Entities – Continued

The summarised financial information in respect of the Group's interest in jointly controlled entities is set out below:

	2007 HK$'000
Total assets	**6,381**
Total liabilities	**(5,837)**
Net assets	**544**
Revenue	**657**
Loss for the year	**1,456**

20. Available-for-sale Investments

	2007 & 2006 HK$'000
Unlisted equity investments, at cost	1,000
Less: Impairment loss recognised	(325)
	675

The above unlisted investments represent investments in unlisted equity securities issued by a private entity incorporated in the BVI. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The directors reviewed the carrying value of the available-for-sale investments by reference to the relevant audited financial statements and considered that no additional impairment loss is required.

21. Inventories

	2007 HK$'000	2006 HK$'000
Raw materials	**11,376**	7,756
Work in progress	**7,362**	3,764
Finished goods	**56,393**	52,680
	75,131	64,200

22. Trade Receivables

	2007 HK$'000	2006 HK$'000
Trade receivables	**81,643**	72,250
Less: Allowance for bad and doubtful debts	**(43,975)**	(43,950)
	37,668	28,300

The Group allows credit periods range from 30 days to 90 days to its trade customers.

22. Trade Receivables – Continued

The ageing analysis of trade receivables net of allowance for bad and doubtful debts is stated as follows:

	2007 HK$'000	2006 HK$'000
Within 90 days	**28,066**	27,217
91 to 180 days	**7,225**	630
181 to 360 days	**1,801**	453
Over 360 days	**576**	–
	37,668	28,300

The Group has policy of allowance for bad and doubtful debts which is based on the evaluation of collectibility and age of accounts and on management's judgement including credit worthiness and past collection history of each client.

Movement in the allowance for bad and doubtful debts

	2007 HK$'000	2006 HK$'000
Balance at beginning of the year	**43,950**	44,102
Charged for the year	**26**	7
Amounts recovered during the year	**(1)**	(159)
Balance at end of the year	**43,975**	43,950

In determining the recoverability of the trade receivables, the Group considers any changes in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts.

22. Trade Receivables – Continued

Included in the Group's trade receivables are debtors, with carrying amount of HK$9,602,000 (2006: HK$1,083,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable since more than 90% of the carrying amount are subsequently settled.

Ageing of trade receivables which are past due but not impaired

	2007 HK$'000	2006 HK$'000
91 – 180 days	**7,225**	630
181 – 360 days	**1,801**	453
Over 360 days	**576**	–
	9,602	1,083

23. Deposits, Prepayments and Other Receivables

	2007 HK$'000	2006 HK$'000
Deposits and prepayments	**18,457**	13,433
Other receivables	**16,746**	13,561
Total deposits, prepayments and other receivables	**35,203**	26,994

Other receivables are unsecured, interest-free and have no fixed repayment terms.

23. Deposits, Prepayments and Other Receivables – Continued

The ageing analysis of other receivables net of allowance for bad and doubtful debts of HK$892,000 (2006: nil) is stated as follows:

	2007 HK$'000	2006 HK$'000
0 – 90 days	**15,465**	10,658
91 – 180 days	**1,092**	119
181 – 360 days	**189**	2,784
	16,746	13,561

Movement in the allowance for bad and doubtful debts

	2007 HK$'000	2006 HK$'000
Balance at beginning of the year	**–**	–
Charged for the year	**892**	–
Balance at end of the year	**892**	–

Other receivables relate to a number of counterparties that have a good track record with the Group and of good credit quality. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances. The Group does not hold any collateral over these balances.

24. Bank Balances and Cash

Bank balances and cash comprise cash and short-term bank deposits held by the Group carrying an effective interest at 0.4% (2006: 0.4%) with an original maturity of three months or less.

25. Trade Payables

The following is an aged analysis of the trade payables at the balance sheet date:

	2007 **HK$'000**	2006 HK$'000
Within 90 days	**17,908**	14,053
91 to 180 days	**–**	947
181 to 360 days	**3,255**	5,303
Over 360 days	**3,380**	3,464
	24,543	23,767

26. Bank Borrowings

	2007 HK$'000	2006 HK$'000
Unsecured bank borrowings:		
Bank overdrafts (Note i)	–	392
Bank loans (Note ii)	25,806	59,500
Trust receipt loans (Note iii)	3,848	1,931
	29,654	61,823
Carrying amount repayable:		
On demand or within one year	29,654	17,323
More than one year, but not exceeding two years	–	14,000
More than two years but not more than five years	–	30,500
	29,654	61,823
Less: Amounts due within one year shown under current liabilities	(29,654)	(17,323)
Amount due after one year	–	44,500

26. Bank Borrowings – Continued

Notes:

(i) The bank overdrafts of HK$392,000 at 31 December 2006 were variable rate borrowings which carry interest at prime rate. The effective interest rate was 4.8% per annum.

(ii) The bank loans of HK$25,806,000 are variable rate borrowings which carry interest at People's Bank of China ("PBOC") base rate times 1.05. The effective interest rate is 7.6% and 6.5% for 2007 and 2006 respectively. At the balance sheet date, bank loans of HK$25,806,000 (2006: HK$59,500,000) was guaranteed by the subsidiaries of High Fashion.

(iii) The trust receipt loans are variable rate borrowings which carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a spread. The effective interest rate is 6.2% and 7% for 2007 and 2006 respectively.

As at the balance sheet date, the Group has undrawn borrowing facilities with floating rates expiring within one year amounting to approximately HK$23,497,000 (2006: HK$14,131,000).

27. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2006, 31 December 2006 and 31 December 2007	50,000,000	500,000
Issued and fully paid:		
At 1 January 2006, 31 December 2006 and 1 January 2007	5,016,659	50,167
On conversion of convertible notes (note a)	959,708	9,597
Issue of new shares (note b)	2,988,183	29,881
At 31 December 2007	8,964,550	89,645

27. Share Capital – Continued

Notes:

(a) On 29 May 2007, the Company received a notice of conversion from Navigation for the allotment and issue of 959,707,594 new shares for conversion of the convertible notes at a conversion price of HK$0.069 per share. As Navigation has disposed of approximately 1,053,028,000 shares of the Company on the stock market, there are sufficient shares in the public to maintain the 25% public float of the Company which is required under the Rules Governing the Listing of Securities on the Stock Exchange. Therefore, the convertible notes were mandatorily converted into ordinary shares of the Company.

(b) On 27 August 2007, the Company has exercised an open offer arrangement in which one offer share for every two existing shares held by qualifying shareholders. A total of 2,988,183,199 shares of HK$0.06 per share were allotted, representing 50% of the issued share capital before the issue of the shares and approximately 33.3% of the issued share capital of the Company as enlarged by the issue of the shares.

The net proceeds of approximately HK$175,790,000 were used for repaying the debt owed to Navigation Limited, its immediate holding company, for expansion of its retail network, and for working capital of the Group.

These shares rank pari passu in all respect with other shares in issue.

28. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the year and prior years:

	Bad and doubtful debts HK$'000	Allowance on obsolete inventories HK$'000	Unrealised exchange losses HK$'000	Retirement benefits scheme contributions HK$'000	Trademarks HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2006	88	845	911	–	–	–	1,844
(Charge) credit to consolidated income statement for the year	–	(165)	(220)	(46)	–	1,800	1,369
Acquired on acquisition of business	–	–	–	–	(1,800)	–	(1,800)
Exchange realignment	1	79	(53)	–	–	–	27
At 31 December 2006	89	759	638	(46)	(1,800)	1,800	1,440
Credit (charge) to consolidated income statement for the year	4	439	(119)	(106)	–	–	218
Exchange realignment	–	(1)	(1)	–	–	–	(2)
At 31 December 2007	**93**	**1,197**	**518**	**(152)**	**(1,800)**	**1,800**	**1,656**

At the balance sheet date, the Group has estimated unused tax losses of approximately HK$778,032,000 (2006: HK$764,453,000) available for offset future profits. No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$9,297,000 that will be expired in 2011, and the remaining losses will be carried forward indefinitely.

29. Convertible Notes

The convertible notes issued to the immediate holding company, Navigation, were unsecured, interest-free and were convertible in whole or in part by the noteholders into shares and were originally due to be mandatorily converted into ordinary shares on 30 August 2006. Such mandatory conversion was automatically postponed until such time as the Company is satisfied that, at least 25% of the shares are held by the public as required under the Rules Governing the Listing of Securities on the Stock Exchange.

During the year, as Navigation has disposed of approximately 1,053,028,000 shares of the Company on the stock market, the condition in respect of maintaining at least 25% of the shares held by the public for mandatory conversion is met. On 29 May 2007, the convertible notes issued to Navigation are mandatorily converted into ordinary shares. The Company issued new shares of 959,707,594 for conversion of the convertible notes at a conversion price of HK$0.069 per share.

30. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee or executive or any non-executive directors of the Group, including any full-time or part-time employees or executives, executive directors, non-executive directors, independent non-executive directors and secretary of any member of the Group. The Scheme became effective on 26 March 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with no consideration being payable by the grantee. The share option may be exercised at any time during the Scheme period.

30. Share Option Scheme – Continued

The exercise price of the share options is determinable by the Company's Board of Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the par value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options were granted for both years nor outstanding as at the balance sheet date.

31. Major Non-cash Transaction

During the year ended 31 December 2006, the Group acquired buildings for a consideration of HK$47,449,000 from a third party. Part of the consideration of HK$10,451,000 was not settled at 31 December 2006 and was recorded in other payables in the consolidated balance sheet. The amount has been settled during the year.

32. Acquisition of Business

During the year ended 31 December 2006, pursuant to the acquisition agreement dated 30 March 2006, the Group acquired the trademark, the retail network, the relevant business contracts and part of the property, plant and equipment, current assets and current liabilities (the "Business") of Shenzhen CSLR Industrial Company Limited 深圳城市儷人實業有限公司, an enterprise engaged in garment retailing and uniform manufacturing in the PRC from an independent third party. The acquisition of the Business was completed on 30 June 2006 and has been accounted for using the purchase method.

32. Acquisition of Business – Continued

The net assets acquired in the transaction were as follows:

	Carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	260	–	260
Trademarks	–	10,000	10,000
Inventories	6,682	–	6,682
Deposits, prepayments and other receivables	1,890	–	1,890
Other payables and accrued charges	(2,878)	–	(2,878)
Deferred tax liability	–	(1,800)	(1,800)
	5,954	8,200	14,154
Goodwill			1,800
			15,954
Total consideration satisfied by:			
Cash			15,954
Cash outflow arising on acquisition:			
Cash consideration paid			(15,954)

32. Acquisition of Business – Continued

The Business contributed HK$3.7 million to the Group's profit for the period between the date of acquisition and 31 December 2006.

The disclosure of revenue and profit or loss of the Group as if the acquisition of the business had been completed on 1 January 2006 is impracticable as no financial statements have been prepared for the business for the period from 1 January 2006 to 31 December 2006.

33. Operating Lease Commitments

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	2007 **HK$'000**	2006 HK$'000
Within one year	**24,871**	34,350
In the second to fifth year inclusive	**13,569**	26,998
After 5 years	**1,919**	–
	40,359	61,348

Operating lease payments represent rentals payable by the Group for certain of its office premises, retail shops, factories and office equipment. Leases are negotiated for terms ranging from one to five years and rentals are fixed over the lease terms. In addition to the fixed rentals which are disclosed above, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percentage of the gross sales of the relevant shop.

33. Operating Lease Commitments – Continued

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under a sub-letting arrangement:

	2007	2006
	HK$'000	HK$'000
Within one year	**834**	4,006
In the second to fifth year inclusive	**–**	834
	834	4,840

The tenants have committed for an average term of three years.

34. Retirement Benefits Schemes

The Group operates a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees of the Group in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of the trustees. The employees of the subsidiaries in the PRC and Taiwan are members of retirement benefits schemes operated by the PRC and Taiwan governments respectively. The contributions are charged to the consolidated income statement as incurred.

The relevant PRC and Taiwan subsidiaries are required to make contributions to the state retirement schemes in the PRC and Taiwan based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC and Taiwan government is responsible for the pension liability to these retired staff.

35. Related Party Transactions

During the year, the Group had transactions with related parties and balances with them as at the balances sheet date are as follows:

Balances

	2007 HK$'000	2006 HK$'000
Amounts due from fellow subsidiaries (Note i)	**16,338**	3,673
Amounts due from jointly controlled entities (Note ii)	**8,993**	–
Amounts due to fellow subsidiaries (Note i)	**–**	(2,237)
Amount due to an associate (Note i)	**(596)**	(599)

Amount due to immediate holding company

	2007 HK$'000	2006 HK$'000
Current account with immediate holding company (Note i)	**–**	3,872
Loan repayable with immediate holding company (Note iii)	**–**	49,000
	–	52,872
Less: Amount due within one year shown under current liabilities	**–**	(3,872)
Amount due after one year	**–**	49,000

35. Related Party Transactions – Continued

Notes:

(i) The amounts include HK$8,643,000 (2006: HK$3,673,000) which are trading in nature and aged within one year. The amounts are unsecured, interest-free, have no fixed terms of repayment. In the opinion of the directors, the amounts would be realised/settled within twelve months from the balance sheet date and accordingly, the amounts are classified as current.

(ii) The amount included HK$8,183,000 which is unsecured, interest bearing at 12% per annum and have no fixed terms of repayment. The remaining amount is unsecured, interest-free and has no fixed terms of repayment.

(iii) The amount was unsecured, interest bearing at 7.75% to 8% per annum and was repayable in 2009. The amount was fully repaid during the year.

For both years, the ultimate holding company has provided corporate guarantee in favour of 2 bankers to secure general banking facilities granted to the Group.

Transactions

(i) During the year, the Group entered into the following transactions with related parties:

	2007	2006
	HK$'000	HK$'000
Interest expense charged by immediate holding company	**2,528**	3,872
Rental expense charged by a fellow subsidiary	**105**	420
Subcontracting fee income from fellow subsidiaries	**8,643**	8,659
Transfer of property, plant and equipment to a fellow subsidiary	**–**	(18)

(ii) The Group has introduced a subsidiary of High Fashion to a PRC manufacturing company (an independent third party) for subcontracting work. In addition, the Group will liaise with such PRC manufacturing company to ensure the work performed is in accordance with the specifications by High Fashion and receives from the PRC manufacturing company commission fee income (based on a percentage of the contract sum between this party and High Fashion) which amounted to approximately HK$10,077,000 (2006: HK$6,626,000).

Details of the key management compensation are disclosed in note 12.

36. Post Balance Sheet Events

Subsequent to the balance sheet date, the Group has entered the following significant transactions:

(a) On 26 November 2007, the Group has made an announcement on the proposal to effect the capital reorganisation which will involve the share consolidation pursuant to which every ten issued shares will be consolidated into one consolidated share, and the capital reduction under which the nominal value of all the issued consolidated shares will be reduced from HK$0.10 each to HK$0.01 each so that the issued share capital of the Company will be reduced from an amount of approximately HK$89,645,000 to approximately HK$8,964,000 upon completion of the share consolidation and the capital reduction.

On 4 January 2008, the Group has completed the capital reorganisation.

(b) On 10 January 2008, a subsidiary of the Company entered into an agreement with an independent third party for the disposal of the Company's interest in a jointly controlled entity for a consideration of HK$2 million. The operation of the jointly controlled entity has no significant financial impact to the Group.

37. Particulars of Principal Subsidiaries of the Company at 31 December 2007

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Group 2007 %	2006 %	Principal activities
Angel Star Investment Limited	Hong Kong	HK$2 ordinary HK$2 non-voting deferred	**100**	100	Trademarks holding
Dong Guan Sanyue Fashions Limited ("Dongguan Sanyue") (Note i)	PRC	HK$10,000,000	**92**	92	Manufacturing of garments
Dong Guan Yihao Fashions Limited (Note ii)	PRC	HK$20,500,000	**100**	–	Manufacturing of garments

37. Particulars of Principal Subsidiaries of the Company at 31 December 2007 – Continued

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Group 2007 %	2006 %	Principal activities
Guangdong Theme-Huayu Fashion Company Limited ("Guangdong Theme-Huayu") (Note ii)	PRC	RMB5,000,000	**100**	100	Retailing of garments
Stage II Limited	Hong Kong	HK$800,000	**100**	100	Retailing of garments
Taiwan Vision Company Limited	Taiwan	NTD80,000,000	**100**	100	Retailing of garments
Theme Corporate Fashion (Asia) Limited	Hong Kong	HK$1	**100**	100	Trading of garments
Theme Corporate Fashion (Europe) Limited	Hong Kong	HK$1	**100**	100	Trading of garments
Theme Corporate Fashion (Overseas) Limited	Hong Kong	HK$1	**100**	100	Trading of garments
Theme (Dongguan) Limited	BVI	US$1	**100**	100	Trading of garments
Theme Garments (Shenzhen) Company Limited (Note ii)	PRC	RMB60,000,000	**100**	100	Retailing and trading of garments

37. Particulars of Principal Subsidiaries of the Company at 31 December 2007 – Continued

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Group		Principal activities
			2007	2006	
			%	%	
Theme Fashion (Singapore) Pte. Ltd.	Singapore	S$100,000	**100**	100	Retailing of garments
Theme Industry Hangzhou Company Limited ("Hangzhou Theme") (Note ii)	PRC	US$2,000,000	**100**	100	Manufacturing of garments
Theme International Holdings (B.V.I.) Limited ("Theme BVI")	BVI	US$10,001	**100**	100	Investment holding
Theme International Limited	Hong Kong	HK$2 ordinary HK$1,000,000 non-voting deferred	**100**	100	Trading of garments

Except for Theme BVI, which is directly held by the Company, all other subsidiaries listed above are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

37. Particulars of Principal Subsidiaries of the Company at 31 December 2007 – Continued

Notes:

(i) Under a joint venture agreement, the Group has contributed 92% of the registered capital of HK$10,000,000 in Dongguan Sanyue, a sino-foreign equity joint venture company established in the PRC with a term of 15 years commencing from 16 December 1991. The Group is to bear the entire risk and liabilities of Dongguan Sanyue and, other than a monthly management fee of HK$30,000 that is received by the PRC joint venture partner, is entitled to the entire profit or loss of Dongguan Sanyue. On cessation of Dongguan Sanyue, the Group will be entitled to all assets other than those contributed by the PRC joint venture partner.

On 24 March 2008, Dongguan Sanyue has completed the process of deregistration.

(ii) These companies are registered as a wholly foreign-owned enterprise.

38. Investee Companies

The Group acquired a 56% equity interest in Wescorp Limited, the sole asset of which was a 99.6% equity interest in the Emporium Holdings (Singapore) Limited and its subsidiaries (the "Emporium Group"), on 22 August 1997. On 9 July 1998, the Emporium Group was placed under judicial management, an event which significantly impaired the Group's ability to control the Emporium Group's assets and operations. Accordingly, the Emporium Group has not been consolidated into the Group's financial statements since 1 April 1998 (the date of loss of control).

In accordance with HKAS 27 "Consolidated and separate financial statements", the Emporium Group is not regarded as a subsidiary of the Company and has not been consolidated into the Group's financial statements for each of the years ended 31 December 2007 and 2006 since the control on the Emporium Group has been lost.

The carrying value of the investment cost of the investee company has been fully impaired.

38. Investee Companies – Continued

Details of the Group's investee companies at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation or registration/operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by Wescorp Limited %	Principal activities
Emporium Holdings (Singapore) Limited*	Singapore	S$2,507,519 (Class A) S$16,800,000 (Class B)	99.6 100	Property investment and investment holding
Chao Phaya Thai Restaurant Pte. Limited	Singapore	S$300,000	99.6	Restaurant operations
EH Distribution Pte. Limited	Singapore	S$250,000	99.6	Trading and distribution
Emporium Department Store Pte. Limited	Singapore	S$2,000,000	99.6	Department store and supermarket operations
Katong Emporium & Supermarket Pte. Limited	Singapore	S$280,000	99.6	Property investment
Oriental Restaurant Pte. Limited	Singapore	S$250,000	99.6	Restaurant operations
Sports Stop Boutique Pte. Limited	Singapore	S$400,000	99.6	Sports goods retailing

* The class "B" shares issued by Emporium Holdings (Singapore) Limited carry the rights to four times the dividend, bonus and right issue compared with the class "A" shares. The Group's effective interest in Emporium Holdings (Singapore) Limited and all of its wholly-owned subsidiaries at 31 December 2007 is 56%.

Financial Summary

RESULTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**316,938**	287,107	258,540	201,265	172,065
Loss before taxation	**(25,195)**	(6,698)	(4,472)	(10,986)	(19,674)
Taxation (charge) credit	**(608)**	117	441	1,406	(215)
Loss for the year	**(25,803)**	(6,581)	(4,031)	(9,580)	(19,889)
Attributable to:					
Equity holders of the Company	**(25,803)**	(6,581)	(4,031)	(8,183)	(19,889)
Minority interests	**–**	–	–	(1,397)	–
	(25,803)	(6,581)	(4,031)	(9,580)	(19,889)

ASSETS AND LIABILITIES

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**305,906**	235,766	149,041	174,567	88,814
Total liabilities	**(101,898)**	(184,118)	(95,686)	(114,325)	(138,050)
	204,008	51,648	53,355	60,242	(49,236)

Corporate Information

Board of Directors

Executive Directors
Mr. Lam Foo Wah *(Chairman & CEO)*
Ms. So Siu Hang, Patricia

Independent Non-executive Directors
Mr. Mak Kam Sing
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim

Qualified Accountant

Mr. Lin Yuet Man, Edwin

Company Secretary

Ms Chan Wai Wei, Cynthia

Audit Committee

Mr. Wong Shiu Hoi, Peter *(Chairman)*
Mr. Mak Kam Sing
Mr. Leung Hok Lim

Remuneration Committee

Mr. Mak Kam Sing *(Chairman)*
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

11th Floor, High Fashion Centre
1-11 Kwai Hei Street
Kwai Chung, New Territories
Hong Kong

Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

Sub-registrar and Transfer Agent in Hong Kong

Computershare Hong Kong Investor Services Limited
Rooms 1712-6, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Legal Advisers to the Company

Wilkinson & Grist
6th Floor
Prince's Building
10 Chater Road
Hong Kong

Legal Advisers on Bermuda Law

Conyers Dill & Pearman
2901, One Exchange Square
8 Connaught Place
Hong Kong

Auditors

Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

Bank of America, N.A. Hong Kong Branch
CITIC Ka Wah Bank Limited

Shareholders & Investor Relation Information

Results Announcement:–	
2007 Final	8 April 2008
2007 Interim	6 September 2007
2006 Final	11 April 2007
2006 Interim	13 September 2006
2008 Annual General Meeting	13 June 2008
Closure of Register of Members	Period from 10 June 2008 to 13 June 2008
Dividends:–	
2007 Final	Nil
2007 Interim	Nil
2006 Final	Nil
2006 Interim	Nil
Authorised Shares	50,000,000,000
Issued Shares	8,964,549,597 shares (as at 31 December 2007) 896,454,959 shares (effective on 4 January 2008)
Board Lot	2,000 shares 10,000 shares (effective on 18 January 2008)
Par Value	HK$0.0100
Financial Year End	31 December
Stock Code	990
Company Website	www.theme.com.hk
Listing Date	25 January 1994