Theme

Theme International Holdings Limited

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

2008 Annual Report

Contents

Chairman's Statement

Turnover of the Group for the year 2008 was **HK$303 million**, down 4.5% as compared with 2007. Net loss attributable to shareholders for the year was **HK$32.7 million** as compared with that of HK$25.8 million recorded in last year. The Board did not recommend the payment of a final dividend for the year.

Chairman's Statement

The restructuring programme in 2008 did not improve the Group's performance as originally planned. One of the factors responsible for the substantial operating loss of around HK$10 million was caused by our agency distribution arrangement. Negotiations are currently under way between the Group and the counter-party in a bid to address the issue speedily.

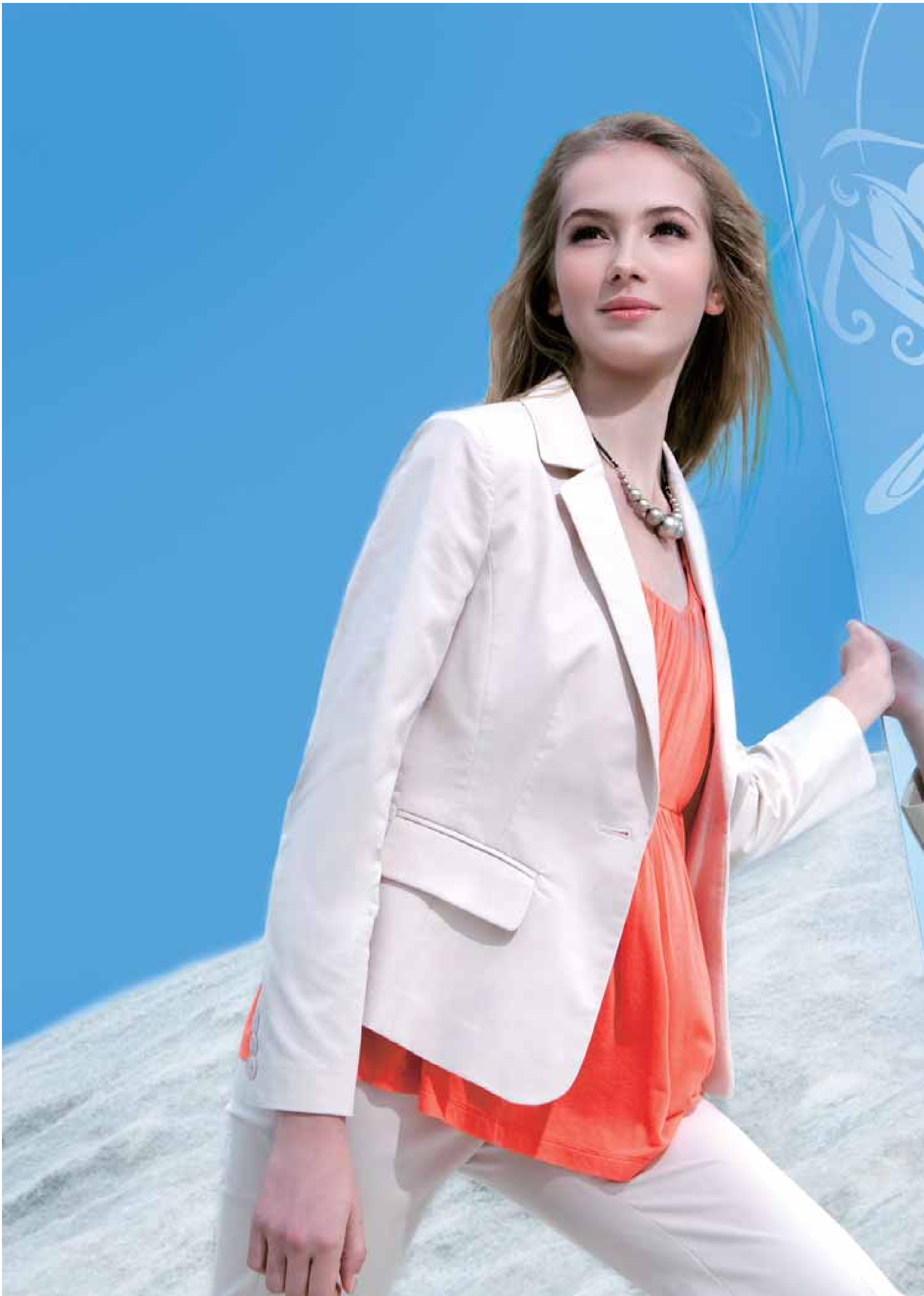
As the ongoing business showed little improvement, we made an one-off impairment loss of HK$9.3 million in respect of the carrying value of the goodwill and trademark of our brand "CSLR".

Given the unsatisfactory result in our remedial measures taken in the prior year, the Group will continue its efforts in strengthening its management capability by providing intensive training, focusing, in particular, on nurturing an efficient management team for future development. In coping with the rapidly changing market, we are determined to introduce corrective measure to ensure a fast recovery. We will strive to achieve our stated goal despite major challenges lying ahead.

I would like to take this opportunity to express our gratitude to my fellow Directors, colleagues, franchisees, and suppliers for their support and contribution.

Lam Foo Wah
Chairman

Hong Kong, 7 April 2009



Management Discussion and Analysis

Revenue for the year of 2008 was **HK$303 million**, representing a decrease of 4.5% when compared with HK$317 million for 2007.

Net loss attributable to shareholders was **HK$32.7 million** for the year, including HK$9.3 million provision for impairment loss of intangible asset, compared with a net loss attributable to shareholders of HK$25.8 million for last year.

Management Discussion and Analysis

Review of Operation

There was no improvement in the Group's performance in 2008. Whilst we had put in place stringent cost containment exercises vigorously, another identified principle factor responsible for the substantial operating loss was a distribution operation we have entered in year 2007, that a significant loss of around HK$10 million incurred. Negotiations are currently under way between the Group and the counter party in order to settle the issue in a decisive and speedy way.

As the ongoing operating result showed no positive progress, the Group reviewed the asset valuation to reflect its fair value. With a prudent approach, we took initiative to make an one-off impairment loss of HK$9.3 million in respect of the goodwill and trademark of our brand "CSLR" which was originally intended to amortize over a period of ten years.

Management Discussion and Analysis

Review of Operation – Continued

The profit/loss analysis by region is as follows:

	Revenue		Contribution	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Retail, wholesale & manufacturing of fashion				
People's Republic of China	**185,903**	178,458	**(27,346)**	(3,317)
Taiwan	**95,110**	103,308	**(4,208)**	(14,471)
Hong Kong & Macau	**15,479**	27,545	**(1,110)**	1,135
Singapore	**6,301**	7,627	**173**	46
	302,793	316,938	**(32,491)**	(16,607)
Gain on disposal of jointly controlled entities			**1,456**	–
Share of loss of jointly controlled entities			**–**	(1,456)
Operating loss			**(31,035)**	(18,063)

Management Discussion and Analysis

Liquidity and Financial Resources

As of the balance sheet date, there was no borrowing from High Fashion International Limited. There were no charges on the Group's asset. The Group had no borrowings at fixed interest rates and had no long-term borrowings.

At 31 December 2008, the Group had HK$1.1 million bank borrowings, which was reduced from HK$29.6 million in 2007 and interest expenses were decreased from HK$6.7 million to HK$0.6 million correspondingly.

The Group's receivables were mainly denominated in Hong Kong dollar, Renminbi and New Taiwan dollar. The entire bank borrowings and other borrowing were either denominated in Hong Kong dollar or Renminbi. The Group has booked forward contracts to hedge against the Renminbi fluctuation.

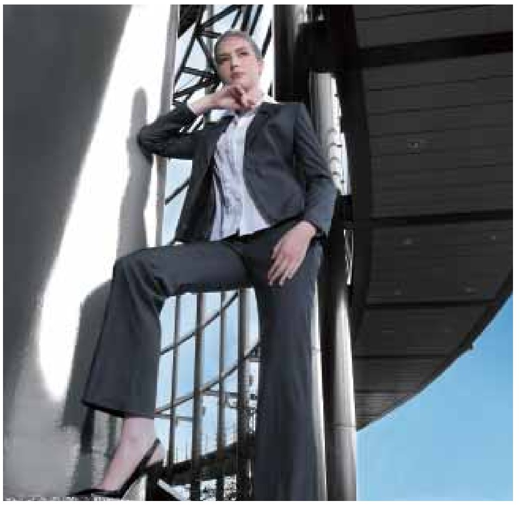
As at 31 December 2008, the current ratio was 2.4. Based on the current cash position and available banking facilities, the Group should have sufficient liquidity to meet its operational needs.

Human Resources

As of 31 December 2008, the total number of employees of the Group including factory workers was about 1,900. 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 of the year was the acquisition of shop furniture & fixtures at HK$18 million. Except for the above, there was no material capital expenditure during the year.



Biographical Details of Directors and Senior Management

Executive Directors

Mr. LAM Foo Wah, aged 60, joined the Group in 2000. Mr. Lam is an Executive Director, the Chairman and Chief Executive Officer 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 50, 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 degree in commerce and finance from the University of Toronto and a master 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 57, 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 68, 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 74, 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. Mr. Leung obtained a fellowship with Hong Kong Institute of Certified Public Accountants in 1973. He is the founder and senior partner of PKF, Accountants and Business Advisers, 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, namely, Fujian Holdings Limited, High Fashion International Limited, Phoenix Satellite Television Holdings Limited, S E A Holdings Limited, Yangtzekiang Garment Limited and YGM Trading Limited.

Biographical Details of Directors and Senior Management

Senior Management

Ms. CHAN Wai Wei, Cynthia, aged 36, 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, 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 59, 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 70, 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.

Ms. KWAN Wah Ming, Connie, aged 65, joined the Group in 1994. Ms. Kwan is the Assistant to 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.

Directors' Report

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2008.

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 36, 19 and 20 to the consolidated 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 2008 and the state of affairs of the Group at that date are set out in the financial statements on pages 29 to 73.

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 74. 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 16 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital are set out in note 29 to the consolidated 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 2008, the Company had not redeemed any of the Company's listed securities, 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 2008, 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$139,251,000, 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:

Mr. Lam Foo Wah
Ms. So Siu Hang, Patricia

Independent Non-Executive Directors:

Mr. Mak Kam Sing
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim

In accordance with bye-law 87 of the Company, Mr. Wong Shiu Hoi, Peter and Mr. Leung Hok Lim will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Report

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 2008, and the Company considered that they are independent.

Directors' Emoluments

Details of the Directors' emoluments for year 2008 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 13 and 14 to the financial statements.

Biographical Details of Directors and Senior Management

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 12 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 34 to the consolidated 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 2008, 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 and chief executive was taken or deemed to have under such provisions of the SFO), the model code for securities transactions by directors of listed issuers (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:

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

(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 issued capital
Lam Foo Wah	Interest of controlled corporation	Corporate	566,358,654 (Note 1)	63.18% (Note 2)

Notes:

1. The 566,358,654 ordinary 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 63.18% of the issued share capital of the Company. Pursuant to the SFO, Mr. Lam Foo Wah is deemed to have interests in 566,358,654 ordinary shares of the Company as a result of his shareholding of 44.92% in High Fashion.

2. The issued share capital of the Company is 896,454,959 shares as at 31 December 2008.

(ii) Long Positions in the Shares of Associated Corporations

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

Name of Directors	Notes	Capacity	Nature of interest	Number of ordinary shares held	Percentage of the ultimate holding company's issued capital
					(Note 3)
Lam Foo Wah	1, 2	Other Interest	Other	143,719,986	44.92%
So Siu Hang, Patricia		Beneficial Owner	Personal	2,824,309	0.88%

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

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

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

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 108,802,419 ordinary 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 interests in 34,917,567 ordinary 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 319,979,550 shares as at 31 December 2008.

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

Save as disclosed above, as at 31 December 2008, 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 2008 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 2008. 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 31 to the consolidated financial statements.

During the year ended 31 December 2008, 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 2008, 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:

Directors' Report

Substantial Shareholder – Continued

Long Positions in the Company's Shares:

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage of the Company's issued capital
High Fashion International Limited (Note 1)	Interest of controlled corporation	566,358,654	63.18% (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 896,454,959 shares as at 31 December 2008.

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 2008, 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.

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2008 are disclosed in note 34 to the consolidated financial statements.

Continuing Connected Transaction

In November 2007, Dongguan Yihao Fashions Limited (the "Subcontractor") entered into a conditional subcontracting agreement (the "Conditional 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 Conditional Subcontracting Agreement that the subcontracting fee for each of the three financial years ending on 31 December 2008, 2009 and 2010, respectively, shall not exceed the annual cap of HK$30,000,000.

High Fashion is a substantial shareholder of the Company holding over 51% of the entire issued share capital of the Company 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.

During the year ended 31 December 2008, the subcontracting fee received by the Subcontractor was HK$27,702,000.

Continuing Connected Transaction – Continued

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transaction 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.

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 2008, except code provision A.1.1 on the regular board meeting held and code provision A.2.1 on the separate roles of the chairman and chief executive officer.

Details of the Company's corporate governance report are set out on pages 20 to 27.

Change in Board Lot Size

The board lot size for trading the shares of the Company on the Stock Exchange was changed from 2,000 to 10,000 shares effective on 18 January 2008.

Auditor

The consolidated financial statements for the year ended 31 December 2008 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 & Chief Executive Officer

Hong Kong, 7 April 2009

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 2008, except code provision A.1.1 on the regular board meeting held and 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 consists 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 Directors	**Position**
Executive directors:	
Mr. Lam Foo Wah	*Chairman & Chief Executive Officer*
Ms. So Siu Hang, Patricia	*Executive Director*
Non-executive directors:	
Mr. Mak Kam Sing	*Independent Non-executive Director*
Mr. Wong Shiu Hoi, Peter	*Independent Non-executive Director*
Mr. Leung Hok Lim	*Independent Non-executive Director*

Over half of the member in the Board is Independent Non-executive Director. During the financial year, 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.

Board Composition and Board Practices – Continued

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.

In 2008, it deviates from the code provision A.1.1 of the CG Code as the Board meetings held three times a year. The Board believes that such arrangements were adequate to cover all major issues arising throughout the year ended 31 December 2008. 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 Board meeting is set out on page 22 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 page 11.

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' notices of every Board meeting to all directors to give them an opportunity to attend. Board papers are circulated not less than 3 days before the Board meetings to enable the directors to make informed decisions on matters to be raised at the Board meetings.

During the financial year, the Qualified Accountant and the Company Secretary attended the regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors had full access to information on the Group and were able to seek independent professional advice whenever deemed necessary by the directors. The Company Secretary prepared minutes and kept records of matters discussed and decisions resolved at all Board meetings.

All directors 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.

Corporate Governance Report

Board and Committees Attendance

Details of Directors' attendance at the Board and respective Board Committees Meetings held in 2008 are as follows:

	Meetings Attended/held		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive directors:			
Mr. Lam Foo Wah	3/3	N/A	N/A
Ms. So Siu Hang, Patricia	3/3	N/A	N/A
Independent non-executive directors:			
Mr. Mak Kam Sing	2/3	2/2	1/1
Mr. Wong Shiu Hoi, Peter	3/3	2/2	1/1
Mr. Leung Hok Lim	3/3	2/2	1/1

Chairman and Chief Executive Officer

The positions of the Chairman of the Board ("Chairman") and Chief Executive Officer ("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.

Chairman and Chief Executive Officer – Continued

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 2008.

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 page 28.

Auditors' Remuneration

The Group's external auditors are Deloitte Touche Tohmatsu. For the year ended 31 December 2008, the Auditors of the Company received approximately HK$1,065,000 for audit service and HK$322,000 for non-audit services.

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.

Audit Committee – Continued

In April 2009, the Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2008.

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 22.

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.

Corporate Governance Report

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 April 2008 and the members' attendance to the Remuneration Committee meeting is listed out on page 22.

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.

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 2008 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.

Internal Control – Continued

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.

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 is 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.

Corporate Governance Report

Internal Control – Continued

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.

According to the 2008 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 2008.

Communication with Shareholders

At 2008 Annual General Meeting ("2008 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 2008 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 dated 29 April 2008 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 29 to 73, which comprise the consolidated balance sheet as at 31 December 2008, 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.

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 2008 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, 7 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	**2008** **HK$'000**	2007 HK$'000
Revenue	7	**302,793**	316,938
Cost of sales		**(141,259)**	(143,523)
Gross profit		**161,534**	173,415
Other income	8	**7,655**	16,381
Selling and distribution expenses		**(129,343)**	(135,925)
Administrative expenses		**(59,711)**	(70,478)
Gain on disposal of a jointly controlled entity		**1,456**	–
Allowance for an amount due from a jointly controlled entity		**(3,326)**	–
Share of loss of jointly controlled entities		**–**	(1,456)
Impairment loss of intangible asset		**(9,300)**	–
Finance costs	10	**(1,188)**	(7,132)
Loss before taxation		**(32,223)**	(25,195)
Taxation charge	11	**(453)**	(608)
Loss for the year attributable to the shareholders of the Company	12	**(32,676)**	(25,803)
			(restated)
Loss per share	15	**HK(3.65) cent**	HK(3.89) cent

Consolidated Balance Sheet

At 31 December 2008

	NOTES	**2008 HK$'000**	2007 HK$'000
Non-current assets			
Property, plant and equipment	16	**50,457**	47,161
Intangible assets	17	**–**	10,300
Prepaid lease payments	18	**35,708**	34,331
Investments in associates	19	**–**	–
Investments in jointly controlled entities	20	**–**	544
Available-for-sale investments	21	**675**	675
Derivative financial instruments	35	**419**	–
Deferred taxation	30	**1,795**	1,656
		89,054	94,667
Current assets			
Inventories	22	**49,495**	75,131
Trade receivables	23	**32,908**	37,668
Deposits, prepayments and other receivables	24	**22,268**	35,203
Amounts due from fellow subsidiaries	34	**21,829**	16,338
Amounts due from jointly controlled entities	34	**17,713**	8,993
Derivative financial instruments	35	**1,878**	–
Bank balances and cash	25	**25,057**	37,906
		171,148	211,239
Current liabilities			
Trade payables	26	**23,854**	24,543
Other payables and accrued charges	27	**37,657**	44,354
Amount due to a fellow subsidiary	34	**387**	–
Amount due to an associate	34	**594**	596
Amount due to a jointly controlled entity	34	**17,713**	–
Taxation		**1,401**	2,751
Bank borrowings	28	**1,149**	29,654
		82,755	101,898
Net current assets		**88,393**	109,341
Total assets less current liabilities		**177,447**	204,008
Capital and reserves			
Share capital	29	**8,965**	89,645
Reserves		**168,482**	113,563
Equity attributable to equity holders of the Company		**177,447**	203,208
Minority interests		**–**	800
Total equity		**177,447**	204,008

The consolidated financial statements on pages 29 to 73 were approved and authorised for issue by the Board of Directors on 7 April 2009 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 2008

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note i)	Shareholder's contribution HK$'000	Translation reserve HK$'000	Hedging reserve HK$'000	Accumulated losses HK$'000	Convertible notes HK$'000 (note 29)	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	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
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	4,618	–	–	–	4,618	–	4,618
Loss for the year	–	–	–	–	–	–	(32,676)	–	(32,676)	–	(32,676)
Effective portion of fair value changes of derivative hedging instrument in a cash flow hedging relationship	–	–	–	–	–	4,083	–	–	4,083	–	4,083
Fair value changes of derivative hedging instruments reclassified from equity to profit or loss	–	–	–	–	–	(1,786)	–	–	(1,786)	–	(1,786)
Total recognised income (expense) for the year	–	–	–	–	4,618	2,297	(32,676)	–	(25,761)	–	(25,761)
Disposal of subsidiary	–	–	–	–	–	–	–	–	–	(800)	(800)
Share consolidation and reduction (note ii)	(80,680)	(910,203)	990,883	–	–	–	–	–	–	–	–
Transfer	–	–	(990,883)	–	–	–	990,883	–	–	–	–
At 31 December 2008	**8,965**	**139,251**	**34,503**	**45,000**	**(1,185)**	**2,297**	**(51,384)**	**-**	**177,447**	**-**	**177,447**

Notes:

(i) 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.

(ii) On 3 January 2008, the Company restructured the share capital of the Company which involved share consolidation ("Share Consolidation") and capital reduction ("Capital Reduction").

Pursuant to the Share Consolidation, every ten issued shares of HK$0.01 each resulting from the Capital Reduction was consolidated into one consolidated share of HK$0.10. Immediately following the Share Consolidation, the nominal value of the issued share capital of the Company was reduced by HK$0.09 per share by cancelling an equivalent amount of the paid up capital per share so that the nominal value of each share in issue was reduced from HK$0.10 to HK$0.01.

Upon completion of the Share Consolidation and Capital Reduction, an aggregate credit of HK$990,883,000 (comprising the credit of HK$910,203,000 arising from the partial cancellation of the share premium of the Company as a result of the Share Consolidation and of HK$80,680,000 arising from the reduction of the nominal value of the shares in the capital of the Company, respectively) will be transferred to the contributed surplus of the Company in accordance with the bye-laws of the Company and all applicable laws which, in turn, are used to set off the accumulated losses of the Company.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(32,223)**	(25,195)
Adjustments for:		
(Write back) allowance for obsolete inventories	**(3,120)**	8,124
Allowance for bad and doubtful debts	**651**	917
Allowance for an amount due from a jointly controlled entity	**3,326**	–
Impairment loss of intangible assets	**9,300**	–
Finance costs	**1,188**	7,132
Interest income	**(81)**	(831)
Depreciation of property, plant and equipment	**17,187**	11,619
Amortisation of intangible assets	**1,000**	1,000
Amortisation of prepaid lease payments	**567**	518
Loss on disposal of property, plant and equipment	**444**	1,403
Gain on disposal of a jointly controlled entity	**(1,456)**	–
Share of loss of jointly controlled entities	**–**	1,456
Operating cash flows before movements in working capital	**(3,217)**	6,143
Decrease (increase) in inventories	**28,756**	(19,055)
Decrease (increase) in trade receivables	**4,109**	(9,393)
Decrease (increase) in deposits, prepayments and other receivables	**12,135**	(9,101)
Increase in amounts due from fellow subsidiaries	**(5,491)**	(4,970)
(Decrease) increase in trade payables	**(689)**	776
(Decrease) increase in other payables and accrued charges	**(6,697)**	14,166
Cash generated from (used in) operations	**28,906**	(21,434)
Interest received	**81**	831
Overseas income taxes paid	**(1,926)**	(256)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**27,061**	(20,859)
INVESTING ACTIVITIES		
Decrease in amount due to an associate	**(2)**	(3)
Decrease (increase) in amounts due from jointly controlled entities	**5,667**	(8,993)
Increase in amounts due from fellow subsidiaries	**–**	(7,695)
Purchases of property, plant and equipment	**(18,838)**	(28,125)
Prepaid lease payments	**–**	(5,349)
Acquisition of interest in jointly controlled entities	**–**	(2,000)
Proceeds from disposal of property, plant and equipment	**307**	132
Proceeds from disposal of a jointly controlled entity	**2,000**	–
NET CASH USED IN INVESTING ACTIVITIES	**(10,866)**	(52,033)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008	2007
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Proceeds on issue of shares	**–**	179,290
New trust receipt loans raised	**5,471**	17,589
Repayment of trust receipt loans	**(8,170)**	(15,672)
Repayment to immediate holding company	**–**	(52,872)
Increase (decrease) in amounts due to fellow subsidiaries	**387**	(2,237)
Repayment of bank loans	**(25,806)**	(33,694)
Finance cost paid	**(1,188)**	(7,132)
Expenses on issue of shares	**–**	(3,500)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(29,306)**	81,772
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(13,111)**	8,880
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**37,906**	28,824
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**262**	202
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**25,057**	37,906

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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 the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendments)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives[4]
HK(IFRIC) – INT 13	Customer loyalty programmes[5]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[2]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[6]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners[3]
HK(IFRIC) – INT 18	Transfer of assets from customers[7]

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

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods ending on or after 30 June 2009.
[5] Effective for annual periods beginning on or after 1 July 2008.
[6] Effective for annual periods beginning on or after 1 October 2008.
[7] Effective for transfer on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments 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, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 and 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 businesses is 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 costs to sell.

Goodwill arising on acquisition 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 as an intangible asset.

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.

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.

3. Significant Accounting Policies – Continued

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.

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.

Revenue from 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 including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less accumulated depreciation and impairment loss.

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.

Contingent rents determined with reference to the turnover generated by respective shops using pre-determined formulae are recognised in the consolidated income statement when relevant turnover is recognised.

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 retranslation 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.

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 translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. Significant Accounting Policies – Continued

Borrowing costs

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as an 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 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 by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts 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.

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 period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, 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.

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 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 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 to the net carrying amount on initial recognition.

Interest 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

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

3. Significant Accounting Policies – Continued

Financial instruments – Continued

Impairment of financial assets

Financial assets, other than those at FVTPL, 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 affected.

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 all other financial assets, 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.

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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. Significant Accounting Policies – Continued

Financial instruments – Continued

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 Group 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 to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, other payables, amount due to a fellow subsidiary, amount due to an associate and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates all derivatives as hedges of highly probable forecast transactions for foreign currency exposure (cash flow hedges).

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item. The hedged item represents highly probable forecast intragroup transactions which are denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk under the hedging arrangement will affect the consolidated profit or loss.

3. Significant Accounting Policies – Continued

Financial instruments – Continued

Hedge accounting – Continued

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses 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, but so 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.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are 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.

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 the balance sheet date and makes allowance for these items.

Estimated impairment of goodwill and trademarks

Determining whether goodwill and trademarks are impaired requires an estimation of the value in use of the relevant cash-generating unit. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. During the year, impairment loss on goodwill and trademarks of HK$9,300,000 has been recognised in the consolidated income statements. If the actual recoverable amount exceeds the estimated value in use of the cash generating unit, less impairment allowance may be required.

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 debts, which includes the borrowings disclosed in note 28 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 payment of dividends and issue of new shares as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Derivative instruments in designated hedge accounting relationship	**2,297**	–
Loan and receivables (including cash and cash equivalents)	**112,291**	117,651
Available-for-sale financial assets	**675**	675
Financial liabilities		
Amortised cost	**59,611**	81,095

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, bank balances, amounts due from fellow subsidiaries, amounts due from jointly controlled entities, derivative financial instruments, available-for-sales instruments, trade payables, other payables, amount due to a fellow subsidiary, amount due to an associate 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

A subsidiary of the Company (of which functional currency is RMB) has foreign currency intragroup sales which are denominated in HK$, which expose the subsidiary to foreign currency risk of HK$.

The Group requires the subsidiary to use foreign exchange forward contracts to hedge the currency exposures. On this basis, the subsidiary has entered into forward contracts to hedge for the currency exposure on the forecast sales as set out in note 35. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Sensitivity analysis

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding forward contracts designated as cash flow hedges, and adjust their translation at the year end. A positive number below indicates an increase in hedging reserve where RMB strengthen 5% against HK$. For a 5% weakening of RMB against HK$, there would be an equal and opposite impact on the hedging reserve.

	RMB	
	2008 HK$'000	2007 HK$'000
Hedging reserve (note)	**2,521**	–

Note: This is a result of changes in fair value of derivative instruments designated as cash flow hedges in relation to the foreign currency intragroup forecast sales.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. Financial Instruments – Continued

Financial risk management objectives and policies – Continued

Market risk – Continued

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 28 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 Group's interest rate exposure 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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings (see note 28), the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 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 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2008 would increase/decrease by HK$12,000 (2007: increase/decrease by HK$296,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31 December 2008, 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 an amount due from a jointly controlled entity, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The Group does not have credit policy for the subsidiaries of High Fashion and the jointly controlled entity. However, as the subsidiaries of High Fashion are financially supported by High Fashion which is operating with positive operating cashflow and has adequate net current assets as at 31 December 2008. Accordingly, the directors of the Company consider the credit risk is minimal in the view of the financial background of High Fashion. Also, the management expect that the amount due from the jointly controlled entity will be recovered within one year from the balance sheet date. As such, the credit risk is considered minimal.

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.

For derivative financial instruments settled on a net basis, undiscounted net cash (inflows) outflows are presented.

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$'000	Over 1 year HK$'000	Total undis-counted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008							
Non-derivative financial liabilities							
Trade payables	**–**	**23,854**	**–**	**–**	**–**	**23,854**	**23,854**
Other payables	**–**	**15,914**	**–**	**–**	**–**	**15,914**	**15,914**
Amount due to a fellow subsidiary	**–**	**387**	**–**	**–**	**–**	**387**	**387**
Amount due to an associate	**–**	**594**	**–**	**–**	**–**	**594**	**594**
Amount due to a jointly controlled entity	**–**	**17,713**	**–**	**–**	**–**	**17,713**	**17,713**
Bank loans – variable rate*	**3**	**782**	**377**	**–**	**–**	**1,159**	**1,149**
		59,244	**377**	**–**	**–**	**59,621**	**59,611**

	Weighted average effective interest rate %	Less than 3 month HK$'000	3-6 months HK$'000	6 months to 1 year HK$'000	Over 1 year HK$'000	Total undis-counted 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

* 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 (including derivative instruments in designated hedge accounting relationship) 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 to their fair values.

7. Revenue

Revenue 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:

	2008	2007
	HK$'000	HK$'000
Sales of goods	**272,758**	298,123
Subcontracting fee income	**30,035**	18,815
	302,793	316,938

8. Other Income

	2008	2007
	HK$'000	HK$'000
Interest income	**81**	831
Net foreign exchange gain	**3,022**	2,397
Commission income	**2,333**	10,077
Others	**2,219**	3,076
	7,655	16,381

9. 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	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**15,479**	27,545	**185,903**	178,458	**95,110**	103,308	**6,301**	7,627	**–**	–	**302,793**	316,938
Inter-segment sales	**17,972**	20,563	**68,023**	68,455	**–**	–	**–**	–	**(85,995)**	(89,018)	**–**	–
	33,451	48,108	**253,926**	246,913	**95,110**	103,308	**6,301**	7,627	**(85,995)**	(89,018)	**302,793**	316,938
Segment results	**(7,185)**	341	**(21,342)**	(3,346)	**(4,218)**	(14,479)	**173**	46			**(32,572)**	(17,438)
Interest income											**81**	831
Gain on disposal of jointly controlled entities											**1,456**	–
Share of loss of jointly controlled entities	**–**	–	**–**	(1,456)	**–**	–	**–**	–			**–**	(1,456)
Finance costs											**(1,188)**	(7,132)
Loss before taxation											**(32,223)**	(25,195)
Taxation charge											**(453)**	(608)
Loss for the year											**(32,676)**	(25,803)

Inter-segment sales are charged at prevailing market rates.

9. Segment Information – Continued

Geographical segments – Continued

Consolidated balance sheet

	Hong Kong and Macau		PRC		Taiwan		Singapore		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS										
Segment assets	**9,507**	19,666	**160,285**	186,318	**22,169**	31,629	**1,170**	2,182	**193,131**	239,795
Investments in jointly controlled entities	**–**	–	**–**	544	**–**	–	**–**	–	**–**	544
Unallocated corporate assets									**67,071**	65,567
Total assets									**260,202**	305,906
LIABILITIES										
Segment liabilities	**13,861**	10,577	**45,984**	47,988	**1,959**	10,181	**94**	151	**61,898**	68,897
Unallocated corporate liabilities									**20,857**	33,001
Total liabilities									**82,755**	101,898

Note: Geographical segments for the consolidation balance sheet is prepared by the locations of markets, which is the same as the locations of assets.

9. Segment Information – Continued

Geographical segments – Continued

Other information

	Hong Kong and Macau		PRC		Taiwan		Singapore		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**–**	–	**567**	518	**–**	–	**–**	–	**567**	518
Amortisation of intangible assets	**–**	–	**1,000**	1,000	**–**	–	**–**	–	**1,000**	1,000
Additions to property, plant and equipment	**–**	748	**16,645**	15,403	**2,190**	1,513	**3**	10	**18,838**	17,674
Depreciation of property, plant and equipment	**1,205**	1,672	**12,607**	5,821	**3,328**	4,005	**47**	121	**17,187**	11,619
Loss on disposal of property, plant and equipment	**89**	554	**19**	160	**189**	689	**147**	–	**444**	1,403
Gain on derivative hedge instruments transferred from equity	**–**	–	**1,786**	–	**–**	–	**–**	–	**1,786**	–
(Write back) allowance for obsolete inventories	**(863)**	821	**2,007**	2,381	**(4,180)**	4,883	**(84)**	39	**(3,120)**	8,124
Allowance for bad and doubtful debts	**–**	196	**651**	721	**–**	–	**–**	–	**651**	917
Impairment loss of intangible assets	**–**	–	**9,300**	–	**–**	–	**–**	–	**9,300**	–
Allowance for an amount due from a jointly controlled entity	**3,326**	–	**–**	–	**–**	–	**–**	–	**3,326**	–

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").

9. Segment Information – Continued

Business segments – Continued

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

	Revenue by business segments	
	2008	2007
	HK$'000	HK$'000
Fashion	**298,552**	306,685
Uniform	**4,241**	10,253
	302,793	316,938

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	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fashion	**192,033**	230,253	**18,838**	17,673
Uniform	**1,098**	9,542	**–**	1
	193,131	239,795	**18,838**	17,674

10. Finance Costs

	2008	2007
	HK$'000	HK$'000
Bank charges	**563**	423
Interest on:		
Bank loans, overdrafts and other borrowings wholly repayable within five years	**625**	4,181
Amount due to immediate holding company wholly repayable within five years	**–**	2,528
	1,188	7,132

11. Taxation Charge

	2008 HK$'000	2007 HK$'000
Taxation charge comprises:		
Current tax charge		
PRC and other jurisdictions	**299**	2,494
Under(over)provision in prior years		
PRC and other jurisdictions	**277**	(1,668)
Deferred taxation (note 30)	**(123)**	(218)
	453	608

No provision for Hong Kong Profits Tax has been made for both periods as the Company and its subsidiaries have no assessable profit arising in Hong Kong.

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

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

Dongguan Yihao Fashions Limited ("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 was subject to income tax at a tax rate of 24%. As 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 year ended 31 December 2007 and it has been exempted from PRC income tax for year 2007 and year 2008.

Taxation for other PRC subsidiaries was calculated at a tax rate of 33% in 2007.

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"). 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 has been adjusted in 2007 to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

For the year ended 31 December 2008, taxation for all PRC subsidiaries other than Dongguan Yihao is calculated at a tax rate of 25%.

11. Taxation Charge – Continued

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

	2008 HK$'000	2007 HK$'000
Loss before taxation	**32,223**	25,195
Tax at the applicable tax rate of 25% (2007: 33%)	**8,056**	8,314
Tax effect of expenses not deductible for tax purpose	**(3,792)**	(7,394)
Tax effect of income not taxable for tax purpose	**890**	222
Tax effect of share of loss of jointly controlled entities	**–**	(481)
Utilisation of estimated tax losses previously not recognised	**3**	789
Tax effect of estimated tax losses not recognised	**(6,735)**	(4,567)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(818)**	(679)
Effect of tax exemptions granted to PRC subsidiaries	**2,220**	1,520
(Under)overprovision in prior years	**(277)**	1,668
Taxation charge for the year	**(453)**	(608)

The taxation charge is mainly arising from the subsidiary operating in PRC with the prevailing tax rate of 25% (2007: 33%).

12. Loss for the Year

	2008 HK$'000	2007 HK$'000
Loss for the year has been arrived at after charging (crediting):		
(Write back) allowance for obsolete inventories (included in cost of sales)	**(3,120)**	8,124
Cost of inventories recognised as expenses	**100,744**	110,743
Allowance for bad and doubtful debts (included in administrative expenses)	**651**	917
Depreciation of property, plant and equipment	**17,187**	11,619
Amortisation of intangible assets	**1,000**	1,000
Amortisation of prepaid lease payments	**567**	518
Auditor's remuneration	**1,224**	1,085
Operating lease rentals in respect of rented premises	**27,685**	65,128
Contingent rents (note)	**36,268**	16,853
Loss on disposal of property, plant and equipment	**444**	1,403
Changes in fair value of cumulative effective portion of derivative hedging instruments in a cash flow hedging relationship reclassified from equity	**(1,786)**	–
Directors' remuneration (note 13)	**360**	1,961
Other staff costs		
Salaries and allowances	**53,184**	57,274
Retirement benefits scheme contributions	**2,208**	2,322
	55,392	59,596
Sub-letting rental income (included in selling and distribution expenses)	**(837)**	(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.

13. Directors' Remuneration

The emoluments paid or payable to each of the 5 (2007: 8) directors were as follows:

For the year ended 31 December 2008

	Lam Foo Wah HK$'000	So Siu Hang, Patricia HK$'000	Leung Hok Lim HK$'000	Mak Kam Sing HK$'000	Wong Shiu Hoi, Peter HK$'000	Total 2008 HK$'000
Fees	–	–	120	120	120	360
Other emoluments						
Salaries and other benefits	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	–	–	–
Total emoluments	–	–	120	120	120	360

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

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.

14. Employees' Emoluments

Of the five highest paid individuals in the Group, all are employees of the Group (2007: one was director of the Company whose emoluments are included in the disclosures in note 13). The emoluments of the remaining five (2007: four) highest paid individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and allowances	**2,987**	2,411
Retirement benefits scheme contributions	**44**	34
	3,031	2,445

Their emoluments were within the following bands:

	2008 No. of employees	2007 No. of employees
Nil to HK$1,000,000	**5**	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.

15. Loss Per Share

The calculation of basic loss per share for the year 31 December 2008 together with the comparative figures for 2007 are based on the following data:

	2008 HK$'000	2007 HK$'000
Loss for the purpose of basic and diluted loss per share attributable to equity holders of the Company	**(32,676)**	(25,803)

	Number	Number (restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**896,455,000**	662,694,870

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.

The calculation of basic loss per share attributable to the ordinary equity holders of the Company has been adjusted as a result of the Company's Share Consolidation and Capital Reduction (see note 29).

16. 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 2007	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
Additions	–	121	18,512	205	18,838
Disposals	–	(229)	(8,078)	(470)	(8,777)
Exchange realignment	1,262	525	2,164	98	4,049
At 31 December 2008	**23,474**	**9,663**	**76,216**	**2,214**	**111,567**
DEPRECIATION					
At 1 January 2007	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
Provided for the year	464	522	15,835	366	17,187
Eliminated on disposals	–	(227)	(7,548)	(251)	(8,026)
Exchange realignment	33	350	1,226	44	1,653
At 31 December 2008	**1,000**	**8,215**	**50,408**	**1,487**	**61,110**
CARRYING VALUES					
At 31 December 2008	**22,474**	**1,448**	**25,808**	**727**	**50,457**
At 31 December 2007	21,709	1,676	22,723	1,053	47,161

At 31 December 2008, the Group's buildings included above are located in the PRC and are held under long lease.

16. Property, Plant and Equipment – Continued

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%

17. Intangible Assets

	Goodwill HK$'000	Trademarks HK$'000	Total HK$'000
COST			
At 1 January 2007, 31 December 2007 and 31 December 2008	1,800	10,000	11,800
AMORTISATION			
At 1 January 2007	–	500	500
Provided for the year	–	1,000	1,000
At 31 December 2007 and 1 January 2008	–	1,500	1,500
Provided for the year	–	1,000	1,000
Impairment loss	1,800	7,500	9,300
At 31 December 2008	**1,800**	**10,000**	**11,800**
CARRYING VALUES			
At 31 December 2008	**–**	**–**	**–**
At 31 December 2007	1,800	8,500	10,300

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.

17. Intangible Assets – Continued

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

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

(ii) growth rate used within the five years cash flow projections ranging from 2% to 5% per annum;

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

(iv) 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.

As the recoverable amounts of the trademarks and the CGU based on value-in-use calculation are less than their carrying amounts, impairment loss of HK$9,300,000 is recognised in the consolidated income statement during the year.

18. 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:

	2008 **HK$'000**	2007 HK$'000
Current asset (included in deposits, prepayments and other receivables)	**573**	543
Non-current asset	**35,708**	34,331
	36,281	34,874

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

19. Investments in Associates

	2008 **HK$'000**	2007 HK$'000
Cost of investment in associates, unlisted	**2,000**	2,000
Share of post-acquisition losses	**(2,000)**	(2,000)
	–	–

19. Investments in Associates – Continued

Details of the Group's associates at 31 December 2008 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 ("Sherman China")	Incorporated	Hong Kong	50 (note)	Investment holding
Shenyang Sherman – Theme Fashion Limited	Incorporated	PRC	30	Inactive

Note: The Group holds 50% of registered capital of Sherman China and holds 2 out of 5 votes (representing 40% of the votes) in the board of directors of Sherman China. Pursuant to the Articles of Association of Sherman China, over 50% vote is required to pass a resolution in relation to the financial and operating policies of Sherman China. The Directors considers the Group does not exercise any control over Sherman China but the Group can exercise significant influence over Sherman China. Hence, Sherman China is classified as an associate to the Group.

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

	2008 HK$'000	2007 HK$'000
Total assets	–	–
Total liabilities	(1,379)	(1,575)
Net liabilities	(1,379)	(1,575)
Group's share of net assets of associates	–	–
Revenue	–	–
Loss for the year	(1)	(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 these associates.

20. Investments in Jointly Controlled Entities

	2008 HK$'000	2007 HK$'000
Cost of investment in jointly controlled entities	**5**	2,000
Share of post-acquisition losses	**(5)**	(1,456)
	–	544

Details of the Group's jointly controlled entities at 31 December 2008 are set out as follows:

Name of entity	Form of business structure	Place of incorporation and operation	Class of share held	Proportion of nominal value of issued share capital held by the Group 2008	2007	Principal activity
STTM Limited	Incorporated	Hong Kong	Ordinary	**–**	50%	Retailing of garments
Flaming China Limited ("Flaming China")	Incorporated	Hong Kong	Ordinary	**50%**	50%	Retailing of garments

On 18 March 2008, STTM Limited was disposed of to an independent third party for a cash consideration of HK$2,000,000.

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

	2008 HK$'000	2007 HK$'000
Current assets	**966**	4,243
Non current assets	**9,176**	2,138
Current liabilities	**13,251**	5,837
Non current liabilities	**–**	–
Income	**3,777**	657
Expenses	**6,309**	2,113

21. Available-for-sale Investments

	2008 & 2007 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.

22. Inventories

	2008 HK$'000	2007 HK$'000
Raw materials	**5,963**	11,376
Work in progress	**7,227**	7,362
Finished goods	**36,305**	56,393
	49,495	75,131

23. Trade Receivables

	2008 HK$'000	2007 HK$'000
Trade receivables	**77,504**	81,643
Less: Allowance for bad and doubtful debts	**(44,596)**	(43,975)
	32,908	37,668

The Group allows credit periods of 90 days to most its trade customers.

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

	2008 HK$'000	2007 HK$'000
Within 90 days	**26,764**	28,066
91 to 180 days	**2,717**	7,225
181 to 360 days	**2,550**	1,801
Over 360 days	**877**	576
	32,908	37,668

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.

23. Trade Receivables – Continued

Movement in the allowance for bad and doubtful debts

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**43,975**	43,950
Charged for the year	**651**	26
Amounts recovered during the year	**–**	(1)
Amounts written off during the year	**(30)**	–
Balance at end of the year	**44,596**	43,975

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 large and independent/unrelated customer base. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts.

Included in the Group's trade receivables are debtors, with carrying amount of HK$6,144,000 (2007: HK$9,602,000) which are past due at the reporting date for which the Group has not provided any allowance as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. More than 85% of the carrying amount are subsequently settled.

Aging of trade receivables which are past due but not impaired

	2008	2007
	HK$'000	HK$'000
91 – 180 days	**2,717**	7,225
181 – 360 days	**2,550**	1,801
Over 360 days	**877**	576
	6,144	9,602

24. Deposits, Prepayments and Other Receivables

	2008 **HK$'000**	2007 HK$'000
Deposits and prepayments	**18,844**	18,457
Other receivables	**3,424**	16,746
Total deposits, prepayments and other receivables	**22,268**	35,203

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

Movement in the allowance for bad and doubtful debts for other receivables

	2008 **HK$'000**	2007 HK$'000
Balance at beginning of the year	**892**	–
Charged for the year	**–**	892
Amount written off during the year	**(892)**	–
Balance at end of the year	**–**	892

25. Bank Balances and Cash

Bank balances and cash comprise cash and short-term bank deposits held by the Group carrying an effective interest at 0.1% (2007: 0.4%) per annum with an original maturity of three months or less.

26. Trade Payables

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

	2008 **HK$'000**	2007 HK$'000
Within 90 days	**16,450**	17,908
91 to 180 days	**967**	–
181 to 360 days	**1,158**	3,255
Over 360 days	**5,279**	3,380
	23,854	24,543

27. Other Payables and Accrued Charges

	2008 HK$'000	2007 HK$'000
Deposits receipts from customers and wholesellers	**10,488**	10,882
Other payables	**15,914**	26,302
Accrued charges	**11,255**	7,170
	37,657	44,354

28. Bank Borrowings

	2008 HK$'000	2007 HK$'000
Unsecured bank borrowing with carrying amount repayable on demand or within one year		
Bank loans (Note i)	**–**	25,806
Trust receipt loans (Note ii)	**1,149**	3,848
	1,149	29,654

Notes:

(i) The bank loans of HK$25,806,000 were variable rate borrowings which carried interest at 1.05 times of People's Bank of China ("PBOC") base rate per annum. The effective interest rate was 7.6% per annum for 2007. At 31 December 2007, the bank loans of HK$25,806,000 was guaranteed by the subsidiaries of High Fashion.

(ii) The trust receipt loans are variable rate borrowings which carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a 2.5%. The effective interest rate is 3% and 6.2% per annum for 2008 and 2007 respectively.

As at the balance sheet date, the Group has undrawn borrowing facilities with floating rates amounting to approximately HK$52,758,000 (2007: HK$23,497,000).

29. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares		
Authorised:		
At 1 January 2007 and 31 December 2007	50,000,000	500,000
Completion of share consolidation	(45,000,000)	(450,000)
Increase in authorised share capital	45,000,000	450,000
At 31 December 2008	**50,000,000**	**500,000**
Issued and fully paid:		
At 1 January 2007 and 31 December 2007	5,016,659	50,167
On conversion of convertible notes (note i)	959,708	9,597
Issue of new shares (note ii)	2,988,183	29,881
At 31 December 2007	8,964,550	89,645
Completion of share consolidation and capital reduction (note iii)	(8,068,095)	(80,680)
At 31 December 2008	**896,455**	**8,965**

Notes:

(i) 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. The convertible notes were mandatorily converted into ordinary shares of the Company.

(ii) On 27 August 2007, the Company 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, its immediate holding company, for expansion of its retail network, and for working capital of the Group.

(iii) On 3 January 2008, the Company restructure the share capital of the Company which involved Share Consolidation and Capital Reduction.

Pursuant to the Share Consolidation, every ten issued shares of HK$0.01 each resulting from the Capital Reduction was consolidated into one consolidated share of HK$0.10. Immediately following the Share Consolidation, the nominal value of the issued share capital of the Company was reduced by HK$0.09 per share by cancelling an equivalent amount of the paid up capital per share so that the nominal value of each share in issue was reduced from HK$0.10 to HK$0.01.

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

30. 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 2007	89	759	638	(46)	(1,800)	1,800	1,440
(Charge) credit 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
(Charge) credit to consolidated income statement for the year	5	(735)	(266)	6	165	948	123
Decrease (increase) in opening deferred tax assets resulting from an decrease in applicable tax rate	–	–	–	–	103	(103)	–
Derecognised upon recognition of impairment loss of intangible assets	–	–	–	–	1,532	(1,532)	–
Exchange realignment	1	11	5	(1)	–	–	16
At 31 December 2008	**99**	**473**	**257**	**(147)**	**–**	**1,113**	**1,795**

At the balance sheet date, the Group has estimated unused tax losses of approximately HK$804,955,000 (2007: HK$778,032,000) 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$13,940,000 that will be expired in 2012, and the remaining losses will be carried forward indefinitely.

31. 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.

31. Share Option Scheme – Continued

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.

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.

32. 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:

	2008 **HK$'000**	2007 HK$'000
Within one year	**17,132**	24,871
In the second to fifth year inclusive	**13,604**	13,569
After 5 years	**–**	1,919
	30,736	40,359

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.

The Group as lessor

At 31 December 2007, the Group had contracted with tenants for the future minimum lease payments under a sub-letting arrangement amounting to HK$834,000, which fall due within one year. The tenants had committed for an average term of three years.

No tenancy agreement was contracted by the Group, as a lessor, as at 31 December 2008.

33. 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 only obligation of the Group with respect to the retirement benefit scheme is to make the specific contributions.

34. 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

	2008	2007
	HK$'000	HK$'000
Amounts due from fellow subsidiaries (Note i)	**21,829**	16,338
Amounts due from jointly controlled entities (Note ii)	**17,713**	8,993
Amount due to a jointly controlled entity (Note iii)	**(17,713)**	–
Amount due to a fellow subsidiary (Note i)	**(387)**	–
Amount due to an associate (Note i)	**(594)**	(596)

Notes:

(i) The amounts include HK$21,829,000 (2007: HK$8,643,000) 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 amounts include an amount due from a jointly controlled entity, amounting to HK$17,713,000 (2007: HK$8,183,000) which is unsecured, interest bearing at 12% per annum and has no fixed terms of repayment. The amounts have been written down by an allowance of HK$3,326,000 based on the estimated recoverable amounts. As the jointly controlled entity incurred a loss for the year and the Company has not received interest at the agreed rate during the year, the Company considered that it was uncertain to receive the interest income. Therefore, the interest income was not recognised. The management considered that the allowance for an amount due from a jointly controlled entity is adequate as the amount is expected to be recovered within one year.

(iii) The amount is unsecured, non-interest bearing and have no fixed terms of repayment.

For both years, the ultimate holding company has provided corporate guarantee in favour of one (2007: two) bankers to secure general banking facilities granted to the Group.

34. Related Party Transactions – Continued
Transactions

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

	2008 **HK$'000**	2007 HK$'000
Purchases from fellow subsidiaries	**467**	–
Interest expense charged by immediate holding company	**–**	2,528
Rental expense charged by a fellow subsidiary	**–**	105
Subcontracting fee income from fellow subsidiaries	**27,702**	8,643

In addition, the Company's ultimate holding company has given guarantees to banks to secure general banking facilities granted to the Group.

(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$2,333,000 (2007: HK$10,077,000).

Details of the key management compensation are disclosed in note 13.

35. Derivative Financial Instruments

The aggregate notional amount of the outstanding forward contracts at 31 December 2008 was HK$50 million of selling Hong Kong Dollars ("HK$") for Renminbi ("RMB") at exchange rates ranging from 0.9184 to 0.9384 with maturity periods up to 16 months from the dates of entering into the respective contracts.

These are contracts designated as highly effective hedging instruments by a subsidiary (of which the functional currency is RMB) to hedge highly probable forecasted intragroup sales which are denominated in HK$ to a subsidiary (of which the functional currency is HK$) in order to manage the foreign currency exposure.

As at 31 December 2008, the cumulative fair value gain of approximately HK$2,297,000 has been deferred in equity and will be released to the consolidated income statement at various dates from 2009 to 2010, the period in which the forecasted sales are realised.

The terms of the foreign exchange forward contracts have been negotiated to match the terms of the forecasted intragroup sales and are considered as effective hedging instruments.

36. Particulars of Principal Subsidiaries of the Company

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 2008 %	2007 %	Principal activities
Angel Star Investment Limited	Hong Kong	HK$2 ordinary HK$2 non-voting deferred	**100**	100	Trademarks holding
Dongguan Sanyue Fashions Limited ("Dongguan Sanyue") (note i)	PRC	HK$10,000,000	**–**	92	Manufacturing of garments
Dongguan Yihao Fashions Limited (note ii)	PRC	HK$20,500,000	**100**	100	Manufacturing of garments
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 (Donnguan) 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

36. Particulars of Principal Subsidiaries of the Company – 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 2008 %	2007 %	Principal activities
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.

Notes:

(i) On 24 March 2008, Dongguan Sanyue completed the process of deregistration.

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

37. 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 2008 and 2007 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.

Details of the Group's investee companies at 31 December 2008 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 2008 is 56%.

Financial Summary

Results

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**302,793**	316,938	287,107	258,540	201,265
Loss before taxation	**(32,223)**	(25,195)	(6,698)	(4,472)	(10,986)
Taxation (charge) credit	**(453)**	(608)	117	441	1,406
Loss for the year	**(32,676)**	(25,803)	(6,581)	(4,031)	(9,580)
Attributable to:					
Equity holders of the Company	**(32,676)**	(25,803)	(6,581)	(4,031)	(8,183)
Minority interests	**–**	–	–	–	(1,397)
	(32,676)	(25,803)	(6,581)	(4,031)	(9,580)

Assets and Liabilities

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**260,202**	305,906	235,766	149,041	174,567
Total liabilities	**(82,755)**	(101,898)	(184,118)	(95,686)	(114,325)
	177,447	204,008	51,648	53,355	60,242

Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Mr. Mak Kam Sing
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim

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

Company Secretary

Ms. Chan Wai Wei, Cynthia

Auditors

Deloitte Touche Tohmatsu

Legal Advisers

Wilkinson & Grist

Legal Advisers on Bermuda Law

Conyers Dill & Pearman

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

Principal Bankers

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

Shareholders & Investor Relation Information

Results Announcement:–

2008 Final	7 April 2009
2008 Interim	16 September 2008
2007 Final	8 April 2008
2007 Interim	6 September 2007
2009 Annual General Meeting	16 June 2009
Closure of Register of Members	Period from 10 June 2009 to 16 June 2009

Dividends:–

2008 Final	Nil
2008 Interim	Nil
2007 Final	Nil
2007 Interim	Nil
Authorised Shares	50,000,000,000 shares
Issued Shares	896,454,959 shares (as at 31 December 2008)
Board Lot	10,000 shares
Par Value	HK$0.0100
Financial Year End	31 December
Stock Code	990
Company Website	www.theme.com.hk
Listing Date	25 January 1994