Theme

Theme International Holdings Limited

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

2009
Annual Report

Contents

Chairman's Statement

During the year of 2009, Theme International Holdings Limited (the "Company", and together with its subsidiaries, the "Group") has undergone corporate restructuring and disposed Theme International Holdings (BVI) Limited ("Theme (BVI)") and its subsidiaries (the "Disposal"), which engaged in the business of manufacturing, retailing and trading of garments and uniform principally in the People's Republic of China, Singapore, Hong Kong and Macau. After completion of the Disposal on 28 October 2009, the principal activity of the Group is retailing garments through the operation of retail outlets and department store counters in Taiwan.

Since the financial crisis in the second half of 2008, the global economy is yet to recover and continued to have an impact on the financial results of the Group. The revenue from the continuing operations of the Group for the year of 2009 was approximately HK$89.6 million, representing a decrease of 5.8% when compared with HK$95.1 million for the year of 2008. However, with the implementation of cost control measures on selling and distribution expenses, the loss arising from continuing operations stood at approximately HK$4.2 million for both of 2008 and 2009.

The Group will continue to strengthen and strive for improvements in the business of retailing of garments in Taiwan. In order to achieve substantial and sustainable financial growth for the Group and to maximize shareholders' value, the Group will continue to look for more business opportunities to be brought to the Group. The Group will continue to review the business operations and financial positions of the Group for the purpose of formulating business plans and strategies for the future development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Group may consider diversifying the business of the Group with an objective to broaden its income source and to enhance the long-term growth potential of the Group.

I would like to take this opportunity to express my deepest gratitude to all the shareholders, my fellow directors, management team and staff of the Group for their support and contributions to the Group throughout the year.

Wong Lik Ping
Chairman

Hong Kong, 14 April 2010

Management Discussion and Analysis

Business Review

As disclosed in the Company's circular to its shareholders dated 5 October 2009 (the "Circular"), the Company (as vendor) entered into a disposal agreement (as amended and supplemented by the supplemental agreement dated 29 September 2009) with Navigation Limited (as purchaser) to dispose all the issued shares in the share capital of Theme (BVI) at a cash consideration of HK$134,698,000 and the shareholder loans owing due and payable by Theme (BVI) to the Company at a consideration of HK$10 for the assignment (the "Disposal").

Theme (BVI) and its subsidiaries (the "Disposal Group") engaged in the business of manufacturing, retailing and trading of garments and uniform principally in the People's Republic of China (the "PRC"), Singapore, Hong Kong and Macau.

The Disposal was approved by the independent shareholders at the special general meeting of the Company held on 28 October 2009. The financial effect of the disposal of Theme (BVI) had been included in the consolidated financial statements for the year ended 31 December 2009.

Following the Disposal, the principal activity of the Group is retailing garments through the operation of retail outlets and department store counters in Taiwan.

Management Discussion and Analysis

Financial Review

	Revenue		Loss for the year		Loss per share	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000		
Continuing Operations	**89,593**	95,110	**(4,204)**	(4,214)	**HK(0.12) cent**	HK(0.12) cent
Discontinued Operations (Note)	**149,811**	207,683	**(18,006)**	(28,462)	**HK(0.50) cent**	HK(0.79) cent
Total Operations	**239,404**	302,793	**(22,210)**	(32,676)	**HK(0.62) cent**	HK(0.91) cent

Note: The operations in the PRC, Singapore, Hong Kong and Macau were discontinued on 28 October 2009.

Although the revenue from continuing operations has decreased by approximately 5.8% to approximately HK$89.6 million in 2009, the loss from continuing operations stood at approximately HK$4.2 million for both of 2008 and 2009 as a result of cost control measures on selling and distribution expenses.

The operations in the PRC, Singapore, Hong Kong and Macau ("discontinued operations") had deteriorated significantly in 2009. Resulted from the financial crisis, the revenue from discontinued operations had dropped from HK$207.7 million in 2008 to HK$149.8 million for the period ended 28 October 2009. Increased by the impairment loss on property, plant and equipment of HK$10,460,000 and allowance for an amount due from a jointly controlled entity of HK$12,437,000, the loss from discontinued operations for the period ended 28 October 2009 was approximately HK$47.3 million, representing an increase of 66.3% as compared with HK$28.5 million for the full year of 2008. The Group has disposed of the discontinued operations on 28 October 2009 and recorded a gain on disposal of HK$29.3 million. Taking into account the gain on disposal of the Disposal Group, the net loss of the discontinued operations was approximately HK$18 million for the year of 2009.

The loss per share had slightly improved from HK(0.91) cents in 2008 to HK(0.62) cents in 2009. In respect of the continued operations, the loss per share was consistently at HK(0.12) cents for both of the years of 2008 and 2009.

Management Discussion and Analysis

Charges on Assets

As at 31 December 2009, none of the Group's assets was charged or subject to any encumbrance.

Contingent Liabilities

As at 31 December 2009, the Group had no material contingent liabilities.

Exposure to Fluctuations in Exchange Rates

As at 31 December 2009, the Group's major assets and liabilities were denominated in the functional currencies of the respective group entities. The Group had no material exposure to foreign exchange fluctuation.

Liquidity and Financial Resources

As at 31 December 2009, the Group had no bank and/or other borrowings.

The Group's cash and bank deposits amounted to approximately HK$16,887,000. As at 31 December 2009, the Group's current ratio (current assets divided by current liabilities) was 1.35. The Group should have sufficient liquidity to meet its operational need.

Capital Expenditure

The capital expenditure for the year was approximately HK$5.7 million, which was mainly for acquisition of shop furniture & fixtures. As at 31 December 2009, the Group has no material capital expenditure commitments.

Human Resources

As at 31 December 2009, the Group had 8 employees in Hong Kong and 169 employees in Taiwan. 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.

Future Prospects

The Group will continue its principal business of retailing of garments in Taiwan and will strive to improve its performance. Leveraging on the network and experience of the new management of the Company, the Group will continue to look for more business opportunities to be brought to the Group. The Group will continue to review the business operations and financial positions of the Group for the purpose of formulating business plans and strategies for the future development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Group may consider diversifying the business of the Group with an objective to broaden its income source and to enhance the long-term growth potential of the Group.

Directors' Report

The board of directors presents their annual report together with the audited financial statements for the year ended 31 December 2009.

Principal Activities

The principal activity of the Company is investment holding. Prior to the disposal (the "Disposal") of Theme International Holdings (BVI) Limited on 28 October 2009, the Group was engaged in manufacturing, trading and retailing of garments and uniform in People's Republic of China, Singapore, Taiwan, Hong Kong and Macau. Upon completion of the Disposal, the Group is merely engaged in retailing garments through the operation of retail outlets and department store counters in Taiwan.

Particulars of the principal activities of the Company's principal subsidiaries, associates and jointly controlled entity during the year are set out in notes 21, 22, 33 and 39 to the consolidated financial statements.

An analysis of the Group's performance for the year by business segments is set out in note 9 to the financial statements.

Financial Results

The results of the Group for the year ended 31 December 2009 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 27 to 85.

Dividends

The board of directors does not recommend payment of a dividend for the year ended 31 December 2009.

By a resolution passed at the special general meeting of the Company held on 28 October 2009, the Company carried into effect the declaration and distribution of HK$0.1506 per share, totalling approximately HK$135 million based on 896,454,959 shares of HK$0.01 each then in issue, to the qualifying shareholders on 29 October 2009 (the "Special Distribution"). The Special Distribution was paid in cash out of the Company's distributable reserves (including the credits arising from the share premium reduction, its contributed surplus and shareholder's contribution, after having first offsetting all accumulated losses) and partly financed by the net proceeds to be received from the Disposal.

Directors' Report

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

Reserves

As at 31 December 2009, in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), the distributable reserve of the Company was HK$10,154,000.

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity.

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.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

Five Years Financial 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 restated as appropriate, is set out on page 88. This summary does not form part of the audited financial statements.

Purchase, Sale or Redemption of Securities

The Company had not redeemed any of its securities during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities during the year.

Directors' Report

Directors

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

Executive Directors:

Mr. Wong Lik Ping	(appointed on 5 November 2009)
	(appointed as Chairman on 26 November 2009)
Mr. Ma Chi Shing	(appointed on 5 November 2009)
Mr. Huang Bin	(appointed on 1 December 2009)
Mr. Lam Foo Wah	(resigned on 26 November 2009)
	(resigned as Chairman on 26 November 2009)
Ms. So Siu Hang, Patricia	(resigned on 26 November 2009)

Non-Executive Director:

Mr. Qiao Weibing	(appointed on 1 December 2009)

Independent Non-Executive Directors:

Mr. Kee Wah Sze	(appointed on 5 November 2009)
Mr. Chan Pat Lam	(appointed on 5 November 2009)
Mr. To Yan Ming Edmond	(appointed on 5 November 2009)
Mr. Mak Kam Sing	(resigned on 26 November 2009)
Mr. Wong Shiu Hoi, Peter	(resigned on 26 November 2009)
Mr. Leung Hok Lim	(resigned on 26 November 2009)

In accordance with bye-law 87 of the bye-laws of the Company (the "Bye-laws"), Mr. Wong Lik Ping, Mr. Qiao Weibing and Mr. Kee Wah Sze will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Independence Confirmation

The Company has received from each of independent non-executive directors an annual confirmation of independence pursuant to the Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

Directors' Emoluments

Particulars as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 14 and 15 to the consolidated financial statements.

Directors' Report

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 15 to 17 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 or any of its subsidiaries, 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 paragraph (a) in the section headed "Continuing Connected Transactions", no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share Option Scheme

Pursuant to the Company's share option schemes, there were no outstanding options at the beginning and at the end of the year ended 31 December 2009. No options were granted, exercised, cancelled or lapsed under the share option schemes of the Company during the year. Details of the share option schemes of the Company are set out in note 34 to the consolidated financial statements.

Director's Rights To Acquire Securities

Save as disclosed in the section headed "Share Option Scheme", at no time during the year was the Company or the Company's subsidiaries or holding company or a subsidiary of the Company's holding company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such rights.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' Report

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

As at 31 December 2009, 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:

(i) Long Positions in Shares of the Company

Name of director	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Wong Lik Ping	Interests of a controlled corporation (Note)	2,269,112,096	63.28%

Note: 2,269,112,096 ordinary shares are held by Golden Bright Energy Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Wong Lik Ping. Mr. Wong Lik Ping is the sole director of Golden Bright Energy Limited.

Save as disclosed above, as at 31 December 2009, 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.

Substantial Shareholder

Save as disclosed in the section "Directors' and Chief Executives' Long and Short Positions in Shares, Underlying Shares and Debentures", as at 31 December 2009, no person 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

Retirement Scheme

The Group provides the mandatory provident fund scheme for Hong Kong employees and retirement benefits schemes operated by the Taiwan government for Taiwan employees. Particulars of these retirement schemes are set out in note 36 to consolidated financial statements.

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.

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2009 are disclosed in note 37 to the consolidated financial statements.

Continuing Connected Transactions

(a) Subcontracting Agreement entered into between Dongguan Yihao Fashions Limited and High Fashion (China) Co., Ltd and Dongguan Dalisheng Fashion Co., Ltd.

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.

Before the completion of the Disposal, the Subcontractor was a subsidiary of the Company and High Fashion International Limited ("High Fashion") was 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. Therefore, High Fashion was a connected person of the Company. Accordingly, the transactions contemplated under the Conditional Subcontracting Agreement constituted continuing connected transactions of the Company under the Listing Rules until the completion of the Disposal on 28 October 2009 and were approved by the Independent Shareholders at the Company's special general meeting on 3 January 2008.

From 1 January 2009 and up till 28 October 2009, the subcontracting fee received by the Subcontractor was HK$19,015,000.

Directors' Report

Continuing Connected Transactions (continued)

(b) Supply Agreement entered between Taiwan Vision Company Limited and Theme International Limited

On 28 October 2009, Taiwan Vision Company Limited ("Taiwan Vision") entered into a supply agreement (the "Supply Agreement") with Theme International Limited, which was an indirect wholly-owned subsidiary of the Company before the completion of the Disposal and became an indirect wholly-owned subsidiary of High Fashion upon completion of the Disposal, to supply garments and garment-related accessories to Taiwan Vision for a fixed initial term of three years from the date of the Supply Agreement (the "Initial Term") and shall be renewed for another three years on the same term as applicable to the initial term at the option of Taiwan Vision. It is a term of the Supply Agreement that the contracting fees for each of the three (3) years ending on the expiry of the Initial Term shall not exceed a maximum amount of HK$22,000,000 in respect of the first year and HK$25,000,000 in respect of the second year and third year respectively. As High Fashion is an associate of Mr. Lam Foo Wah (a director of the Company within the preceding 12 months), High Fashion is a connected person of the Company, the transactions contemplated under the Supply Agreement constituted continuing connected transactions of the Company under the Listing Rules and were approved by the Independent Shareholders at the Company's special general meeting held on 28 October 2009.

From 28 October 2009 to 31 December 2009, the contracting fee incurred by Taiwan Vision and payable to Theme International Limited was HK$1,119,030.

The independent non-executive directors of the Company have reviewed all the continuing connected transactions set out above and are of the opinion that these transactions were entered into (i) in the ordinary and usual course of the business of the Group; (ii) either on normal commercial terms or on terms that no less favourable to the Group than terms available to or from independent third parties; (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, the Company has maintained sufficient public float as required under the Listing Rules throughout the year ended 31 December 2009.

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 2009, except 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 18 to 24.

Directors' Report

Annual General Meeting

It is proposed that the annual general meeting of the Company will be held on 3 June 2010. Notice of the annual general meeting will be published and dispatched to the shareholders together with this report.

Closure of Register of Member

The register of members of the Company will be closed from 1 June 2010 to 3 June 2010 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 31 May 2010.

Auditors

The consolidated financial statements for the year ended 31 December 2009 were audited by Deloitte Touche Tohmatsu.

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

ON BEHALF OF THE BOARD

Wong Lik Ping
Chairman

Hong Kong, 14 April 2010

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Wong Lik Ping, aged 49, has been appointed as executive director of the Company with effect from 5 November 2009. He has extensive experience and investments in a wide range of businesses including education, online examination and mine industry in the PRC. Mr. Wong has over 17 years' experience in trading business and financial industry and has held directorship with various private companies. Mr. Wong is also the Chairman of the Company. Mr. Wong is currently also vice-chairman of Fushan International Energy Group Limited (Stock Code: 639), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Ma Chi Shing, aged 40, has been appointed as executive director of the Company with effect from 5 November 2009. He has worked as an audit partner in KPMG with over 18 years' experience in auditing, accounting and corporate finance. Mr. Ma obtained a Degree of Master of Business Administration offered by Manchester Business School, The University of Manchester, England. Mr. Ma is a fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA) and The Association of Chartered Certified Accountants (ACCA) and a member of the Institute of Chartered Accountants in England & Wales (ICAEW). Mr. Ma is also the chief financial officer and company secretary of the Company and a director of Taiwan Vision Company Limited, a wholly-owned subsidiary of the Company.

Mr. Huang Bin, aged 49, has been appointed as executive director of the Company with effect from 1 December 2009. He has almost 20 years experience in financial sector in the PRC. From 1995 to 2000, he served in Salomon Brothers' Beijing Office as vice president and director. From 2000 to 2004, he was managing partner and co-founder of Mandarin Venture Partners. He also served as chief representative of Beijing Office of Lehman Brothers and Beijing Office of Citibank. Mr. Huang holds a bachelor degree from Harvard University, with major in Economics. Mr. Huang was an executive director of Fushan International Energy Group Limited (Stock Code: 639), a company whose shares are listed on the Main Board of the Stock Exchange, from 1 November 2008. He has tendered his resignation as an executive director of Fushan International Energy Group Limited with effect from 31 March 2009. Mr. Huang is also the chief investment officer of the Company.

Non-executive Director

Mr. Qiao Weibing, aged 42, has been appointed as non-executive director of the Company with effect from 1 December 2009. He has over 20 years' experience in the financial and insurance sectors in the PRC. From July 2005 to September 2008, Mr Qiao served as Chairman and Director of ZhongSheng International Insurance Brokers Co., Ltd which was registered in the PRC. Mr. Qiao holds a bachelor degree from Shanxi University and a master degree in management engineering from China University of Mining and Technology. Mr. Qiao is a director of Shanghai New Huangpu Real Estates Co., Ltd. (Stock Code: 600638.SH), which shares are listed on the Shanghai Stock Exchange.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Mr. Kee Wah Sze, aged 62, has been appointed as independent non-executive director of the Company with effect from 5 November 2009 and as members of the audit committee and remuneration committee of the Company with effect from 26 November 2009. He is a partner of Messrs. Michael Cheuk, Wong & Kee and is a practicing solicitor in Hong Kong for over 25 years specialized in both the commercial and conveyancing fields. He is a Notary Public of Hong Kong, a China Appointed Attesting Offices and holder of Master Degree in Chinese and Comparative Law of City University of Hong Kong and Master Degree in Law of the People's University of the PRC. He also currently serves as (i) an executive director of Goldbond Group Holdings Limited (Stock Code: 172), a company whose shares are listed on the Main Board of the Stock Exchange and (ii) an independent non-executive director and members of the audit committee, nomination committee and remuneration committee of Fushan International Energy Group Limited (Stock Code: 639), a company whose shares are listed on the Main Board of the Stock Exchange.

Mr. Chan Pat Lam, aged 61, has been appointed as independent non-executive director of the Company with effect from 5 November 2009 and as members of the audit committee and remuneration committee of the Company with effect from 26 November 2009. He has over 35 years' experience in the field of international banking industry in Hong Kong, Macau and California. Currently, he is the assistant to the managing director of a private company, which is engaged in acting as an international container shipping agency in the Western region of Pearl River Delta. He is also the business advisor of a commercial bank in Macau and a partner of another private company, which is engaged in trading and wholesaling of grocery items. He also currently serves as an independent non-executive director and members of the audit committee, nomination committee and remuneration committee of Fushan International Energy Group Limited (Stock Code: 639), a company whose shares are listed on the Main Board of the Stock Exchange.

Mr. To Yan Ming, Edmond, aged 38, has been appointed as independent non-executive director of the Company with effect from 5 November 2009 and as Chairman of the audit committee and the remuneration committee of the Company with effect from 26 November 2009. He holds a bachelor degree in Commerce in Accounting from Curtin University of Technology in Western Australia. Mr. To is a practicing accountant and presently the director of Fortitude C.P.A. Limited, Edmond To CPA Limited and Zhonglei (HK) CPA Company Limited. He is a member of both the CPA Australia and Hong Kong Institute of Certified Public Accountants. He worked for one of the international accounting firms, Deloitte Touche Tohmatsu and has over 10 years of experience in auditing, accounting, floatation and taxation matters. Mr. To was appointed as an independent non-executive director and member of the audit committee and remuneration committee of China Vanguard Holdings Limited (Stock Code: 8156) and Aptus Holdings Limited (Stock Code: 8212) (both being companies listed on the GEM Board of the Stock Exchange) on 11 January 2006. Mr. To was also appointed as an independent non-executive director and members of the audit and remuneration committee of BEP International Holdings Limited (Stock Code: 2326) and Wai Chun Group Holdings Limited (Stock Code: 1013) (both being companies listed on the Main Board of the Stock Exchange) on 5 June 2009 and 29 September 2009 respectively.

Biographical Details of Directors and Senior Management

Senior Management

Mr. Tu Wen Chen, Arthur, aged 49, joined the Group in 2000, is the general manager of Taiwan Vision Company Limited. He has extensive experience in corporate management and business operation in Taiwan. Prior to joining the Group, he worked as manager of several multinational companies engaging in wholesale and retail businesses.

Corporate Governance Report

(a) Corporate Governance Practices

The Company is committed to maintain a high standard of corporate governance, holding the beliefs of transparency, independence, honesty and accountability, with a view to enhancing investors' confidence. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. 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 2009, except code provision on A.2.1 on the separate roles of the chairman and chief executive officer ("CEO") as described below.

(b) Directors' 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. The Company has made specific enquiries with all directors of the Company and each of them confirmed that they have complied with the Model Code during the year ended 31 December 2009.

(c) Board Composition and Board Practices

The composition of the board of directors of the Company (the "Board") is shown on page 20 of this report. As at 31 December 2009, the Board comprised of seven directors, including three executive directors, one non-executive director 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 primary responsibilities of the Board are to establish long term strategies, administrate and oversee the operations and financial policies and supervising management of the Group. The Board delegates day-to-day operations of the Company to the management of the Group and also instructs the management to implement the Board's decisions and resolutions. In addition, the Board has also delegated various responsibilities to the Audit Committee and the Remuneration Committee.

The Company has received, from each of the independent non-executive directors, confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

Corporate Governance Report

(c) 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.

Details of backgrounds and qualifications of the directors are set out in the section of "Biographical Details of Directors".

In 2009, the Board held 4 meetings to discuss the Group's overall strategy, operation and financial performance. 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 20 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 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 Company Secretary attended the regular Board meetings to advise on corporate governance and statutory compliance 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.

The Board, Audit Committee and Remuneration Committee had held 4, 2 and 2 meetings respectively in 2009.

Corporate Governance Report

(c) Board Composition and Board Practices (continued)

The attendance at the Board and respective Board Committees Meetings held in 2009 are as follows:

Name of Directors	Board	Audit Committee	Remuneration Committee
Executive directors:			
Mr. Wong Lik Ping *(appointed on 5 November 2009)*	2/2	N/A	N/A
Mr. Ma Chi Shing *(appointed on 5 November 2009)*	2/2	N/A	N/A
Mr. Huang Bin *(appointed on 1 December 2009)*	1/1	N/A	N/A
Mr. Lam Foo Wah *(resigned on 26 November 2009)*	2/2	N/A	N/A
Ms. So Siu Hang, Patricia *(resigned on 26 November 2009)*	2/2	N/A	N/A
Non-executive Director			
Qiao Weibing *(appointed on 1 December 2009)*	0/1	N/A	N/A
Independent Non-executive Director			
Mr. Kee Wah Sze *(appointed on 5 November 2009)*	2/2	0/0	1/1
Mr. Chan Pat Lam *(appointed on 5 November 2009)*	2/2	0/0	1/1
Mr. To Yan Ming Edmond *(appointed on 5 November 2009)*	2/2	0/0	1/1
Mr. Mak Kam Sing *(resigned on 26 November 2009)*	1/2	1/2	1/1
Mr. Wong Shiu Hoi, Peter *(resigned on 26 November 2009)*	2/2	2/2	1/1
Mr. Leung Hok Lim *(resigned on 26 November 2009)*	2/2	2/2	1/1

(d) Chairman and Chief Executive Officer

During the year 2009, from 1 January 2009 to 26 November 2009, the positions of the Chairman of the Board ("Chairman") and Chief Executive Officer ("CEO") are held and performed by Mr. Lam Foo Wah. Upon Mr. Lam Foo Wah's resignation as an executive director, Chairman and CEO on 26 November 2009, Mr. Wong Lik Ping was appointed as Chairman on 26 November 2009. From 26 November 2009 onwards, the Company had no officer with the title of CEO and the role of CEO is handled by the Chairman. Although this constitutes a deviation 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.

Corporate Governance Report

(d) Chairman and Chief Executive Officer (continued)

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. All the executive directors of the Company and the executive management team of each business division, is responsible for managing the businesses of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group. All directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group.

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

(e) Non-executive Director

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. On 1 January 2010, the Company has entered into service contracts with all the non-executive directors of the Company for a term of one year. Their directorships of which are all subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

(f) Remuneration Committee

The Company established a remuneration committee ("Remuneration Committee") in 2005 in accordance with the relevant requirements of the CG Code. The composition of the Remuneration Committee is shown on page 20 of this report. The Remuneration Committee comprises three independent non-executive directors, namely, Mr. To Yan Ming Edmond (Chairman of the Remuneration Committee), Mr. Kee Wah Sze and Mr. Chan Pat Lam. The members' attendance to the Remuneration Committee meeting is listed out on page 20.

The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive and non-executive directors, including benefits in kind, pension rights and compensation payments (such as compensation payable for loss or termination of their office or appointment), and to make recommendations to the board of the directors. The Remuneration Committee should consider factors such as the salaries index, time commitment and responsibilities of the directors.

Details of the directors' remuneration are set out in note 14 to the financial statements.

Corporate Governance Report

(g) Nomination of Directors

The board of directors considered that a nomination committee was not necessary to set up as the board of directors can adopt the role and function of a nomination committee. Where vacancies exist at the Board or additional directors are considered necessary by the Board, candidates are proposed and put forward to the Board for consideration. In considering the nomination of a new Director, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of directors, the Board follows the requirements set out in the Listing Rules.

On 4 November 2009, the Board appointed Mr. Wong Lik Ping and Mr. Ma Chi Shing as executive directors of the Company, Mr. Kee Wah Sze, Mr. Chan Pat Lam and Mr. To Yan Ming Edmond as independent non-executive directors of the Company with effect from 5 November 2009.

On 26 November 2009, the Board appointed Mr. Huang Bin as executive director of the Company and Mr. Qiao Weibing as non-executive director of the Company with effect from 1 December 2009.

(h) Audit Committee

The Company has an Audit Committee which was established in accordance with the requirements of the Code of the Best Practice for the purposes of reviewing and supervising the Group's financial reporting process and internal controls. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary roles and functions of the Audit Committee are to review and supervise the financial reporting process and internal controls systems of the Group. The Audit Committee is also responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions would lead to any potential material adverse effect on the Company.

The Audit Committee comprises three independent non-executive directors, namely Mr. To Yan Ming Edmond (Chairman of the Audit Committee), Mr. Kee Wah Sze and Mr. Chan Pat Lam. The members' attendance to the Audit Committee meeting is listed out on page 20.

During the year ended 31 December 2009, the Audit Committee held two meetings to review the annual and interim results, to evaluate the Group's financial reporting process and to make recommendations to improve the Company's internal control system.

Draft minutes were 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

(i) Auditors' Remuneration

The Company's external auditor is Deloitte Touche Tohmatsu. For the year ended 31 December 2009, the Auditors of the Company and subsidiaries received approximately HK$933,000 for audit service and HK$135,000 for non-audit services.

(j) Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group to safeguard shareholders' investments and the Group's assets, as well as for reviewing the system of internal control of the Group.

The internal control 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.

Corporate Governance Report

(j) Internal Control (continued)

(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.

(k) Communication with Shareholders

At 2009 Annual General Meeting ("2009 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 2009 AGM to address shareholders' queries.

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.

(l) Directors' Responsibility for the Financial Statements

The directors of the Company acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The directors of the Company also ensure that the financial statements of the Group are published in a timely manner.

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out in the section headed "Independent Auditor's Report" on page 25 of this annual report.

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 27 to 85, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the consolidated Financial Statements

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

Auditor's Responsibility

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

Independent Auditor's Report

Auditor's Responsibility (continued)

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 2009 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
14 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000 (restated)
Continuing operations			
Revenue	7	**89,593**	95,110
Cost of sales		**(39,944)**	(42,353)
Gross profit		**49,649**	52,757
Other income	8	**324**	444
Selling and distribution expenses		**(43,714)**	(51,405)
Administrative expenses		**(8,668)**	(5,777)
Finance costs	10	**–**	(166)
Loss before taxation		**(2,409)**	(4,147)
Tax charge	11	**(1,795)**	(67)
Loss for the year from continuing operations	13	**(4,204)**	(4,214)
Discontinued operations			
Loss for the year from discontinued operations	12	**(18,006)**	(28,462)
Loss for the year attributable to owners of the Company		**(22,210)**	(32,676)
Other comprehensive income (expense)			
Exchange differences arising on translating foreign operations			
Exchange differences arising during the year		**1,288**	4,618
Reclassification adjustments relating to foreign operations disposed of during the year		**(6,510)**	–
		(5,222)	4,618
Cash flow hedges			
(Loss) gain on fair value changes on cash flow hedges		**(935)**	4,083
Reclassification adjustments to profit or loss		**(246)**	(1,786)
Reclassification adjustments relating to foreign operations disposed of during the year		**(1,116)**	–
		(2,297)	2,297
Other comprehensive (expense) income for the year		**(7,519)**	6,915
Total comprehensive expense for the year		**(29,729)**	(25,761)
			(restated)
Loss per share	17		
From continuing and discontinued operations			
Basic		**HK(0.62) cent**	HK(0.91) cent
From continuing operations			
Basic		**HK(0.12) cent**	HK(0.12) cent

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	**1,911**	50,457
Intangible assets	19	**–**	–
Prepaid lease payments	20	**–**	35,708
Investments in associates	21	**–**	–
Investments in a jointly controlled entity	22	**–**	–
Available-for-sale investments	23	**–**	675
Derivative financial instruments	38	**–**	419
Deferred taxation	32	**–**	1,795
		1,911	89,054
Current assets			
Inventories	24	**12,626**	49,495
Trade receivables	25	**7,539**	32,908
Deposits, prepayments and other receivables	26	**4,738**	22,268
Amounts due from fellow subsidiaries	37	**–**	21,829
Amounts due from a jointly controlled entity	37	**–**	17,713
Derivative financial instruments	38	**–**	1,878
Bank balances and cash	27	**16,887**	25,057
		41,790	171,148
Current liabilities			
Trade payables	28	**4,157**	23,854
Other payables and accrued charges	29	**26,821**	37,657
Dividend payable		**11**	–
Amount due to a fellow subsidiary	37	**–**	387
Amount due to an associate	37	**–**	594
Amount due to a jointly controlled entity	37	**–**	17,713
Taxation		**–**	1,401
Bank borrowings	30	**–**	1,149
		30,989	82,755
Net current assets		**10,801**	88,393
Total assets less current liabilities		**12,712**	177,447
Capital and reserves			
Share capital	31	**8,965**	8,965
Reserves		**3,747**	168,482
Equity attributable to owners of the Company		**12,712**	177,447
Minority interests		**–**	–
Total equity		**12,712**	177,447

The consolidated financial statements on pages 27 to 85 were approved and authorised for issue by the Board of Directors on 14 April 2010 and are signed on its behalf by:

Wong Lik Ping
DIRECTOR

Ma Chi Shing
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note a)	Shareholder's contribution HK$'000	Translation reserve HK$'000	Hedging reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	89,645	1,049,454	34,503	45,000	(5,803)	–	(1,009,591)	203,208	800	204,008
Loss for the year	–	–	–	–	–	–	(32,676)	(32,676)	–	(32,676)
Exchange differences arising on translating foreign operations	–	–	–	–	4,618	–	–	4,618	–	4,618
Gain on fair value changes on cash flow hedges	–	–	–	–	–	4,083	–	4,083	–	4,083
Reclassification adjustments to profit or loss	–	–	–	–	–	(1,786)	–	(1,786)	–	(1,786)
Total comprehensive income (expense) for the year	–	–	–	–	4,618	2,297	(32,676)	(25,761)	–	(25,761)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(800)	(800)
Share consolidation and reduction (note b)	(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
Loss for the year	–	–	–	–	–	–	(22,210)	(22,210)	–	(22,210)
Exchange differences arising on translating foreign operations	–	–	–	–	1,288	–	–	1,288	–	1,288
Reclassification adjustments relating to foreign operations disposed of during the year	–	–	–	–	(6,510)	(1,116)	–	(7,626)	–	(7,626)
Loss on fair value changes on cash flow hedges	–	–	–	–	–	(935)	–	(935)	–	(935)
Reclassification adjustments to profit or loss	–	–	–	–	–	(246)	–	(246)	–	(246)
Total comprehensive expense for the year	–	–	–	–	(5,222)	(2,297)	(22,210)	(29,729)	–	(29,729)
Share premium reduction (note c)	–	(139,251)	139,251	–	–	–	–	–	–	–
Transfer (note d)			(173,754)	(45,000)	–	–	218,754	–	–	–
Dividends recognised as distribution (note 16)	–	–	–	–	–	–	(135,006)	(135,006)	–	(135,006)
At 31 December 2009	**8,965**	**-**	**-**	**-**	**(6,407)**	**-**	**10,154**	**12,712**	**-**	**12,712**

Notes:

a) 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.

b) 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 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.

c) By a special resolution passed at the special general meeting (the "SGM") of the Company held on 28 October 2009, the amount standing to the credit of the share premium account of the Company as at 28 October 2009 in the sum of HK$139,251,000 was cancelled and the credits arising therefrom was transferred to the contributed surplus account of the Company for its utilisation in accordance with the bye-laws of the Company and all applicable laws.

d) By an ordinary resolution passed at the SGM, the declaration, distribution and payment of special dividends by the Company out of fund legally available therefor was approved. To carry into effect the distribution of the special dividends, the entire amount in credit of the shareholder's contribution in the sum of HK$45m was transferred to contributed surplus account. The entire balance of contributed surplus account was then transferred to the retained earnings for distribution of the special dividends.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(49,264)**	(32,223)
Adjustments for:			
Write back of allowance for obsolete inventories		**(10,190)**	(3,120)
Allowance for bad and doubtful debts		**44**	651
Allowance for an amount due from a jointly controlled entity		**12,437**	3,326
Impairment loss on property, plant and equipment		**10,460**	–
Impairment loss of intangible assets		**–**	9,300
Finance costs		**24**	626
Interest income		**(13)**	(81)
Gain on change in fair value of derivative financial instruments		**(246)**	–
Depreciation of property, plant and equipment		**12,566**	17,187
Amortisation of intangible assets		**–**	1,000
Amortisation of prepaid lease payments		**478**	567
Loss on disposal of property, plant and equipment		**137**	444
Gain on disposal of a jointly controlled entity		**–**	(1,456)
Operating cash flows before movements in working capital		**(23,567)**	(3,779)
Decrease in inventories		**20,652**	28,756
Decrease in trade receivables		**2,379**	4,109
Decrease in deposits, prepayments and other receivables		**6,942**	12,135
Decrease (increase) in amounts due from fellow subsidiaries		**10,952**	(5,491)
Increase (decrease) in trade payables		**4,849**	(689)
Increase (decrease) in other payables and accrued charges		**9,289**	(6,697)
Proceeds received upon expiry and early termination of financial instruments		**1,362**	–
Cash generated from operations		**32,858**	28,344
Interest received		**13**	81
Overseas income taxes refund (paid)		**397**	(1,926)
NET CASH FROM OPERATING ACTIVITIES		**33,268**	26,499
INVESTING ACTIVITIES			
Advance to an associate		**–**	(2)
(Advance to) repayment from a jointly controlled entity		**(12,437)**	5,667
Purchases of property, plant and equipment		**(5,669)**	(18,838)
Net cash inflow from disposal of subsidiaries	33	**112,735**	–
Proceeds from disposal of property, plant and equipment		**187**	307
Proceeds from disposal of a jointly controlled entity		**–**	2,000
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**94,816**	(10,866)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES			
Dividends paid	16	**(134,995)**	–
New trust receipt loans raised		**–**	5,471
Repayment of trust receipt loans		**(1,149)**	(8,170)
(Repayment to) advances from fellow subsidiaries		**(387)**	387
Repayment of bank borrowings		**–**	(25,806)
Finance cost paid		**(24)**	(626)
NET CASH USED IN FINANCING ACTIVITIES		**(136,555)**	(28,744)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(8,471)**	(13,111)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**25,057**	37,906
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**301**	262
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**16,887**	25,057

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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"). Pursuant to the completion of the share purchase agreement dated 28 October 2009, Golden Bright Energy Limited, a company incorporated in BVI with limited liability has become the immediate and ultimate holding company of the Company. Prior to the above changes, its ultimate holding company was High Fashion International Limited ("High Fashion"), a company incorporated in Bermuda and its shares are listed on the Stock Exchange. Its immediate holding company was 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 retailing of garments (please refer to note 33 for the principal activities of the discontinued operations). 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 new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC)-INT 13	Customer loyalty programmes
HK(IFRIC)-INT 15	Agreements for the construction of real estate
HK(IFRIC)-INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC)-INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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

In addition, in the current year, the Group has elected to early adopt the amendment to HKFRS 5 as part of Improvements to HKFRSs 2009 (adopted in advance of effective date of 1 January 2010).

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior annual periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

Improving Disclosures about Financial Instruments (amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. These amendments have no material effect to the Group as the Group did not hold any financial instruments which are measured at fair value as at 31 December 2009.

Early adoption of amendment to HKFRS 5 as part of Improvements to HKFRSs 2009

The amendment has clarified that HKFRS 5 has specified the disclosure required in respect of disposal groups classified as discontinued operations. Disclosures requirements in other HKFRSs do not generally apply to such disposal groups.

New and revised HKFRSs affecting the reported results and/or financial position

HKAS 23 (Revised 2007) Borrowing costs

In previous years, the Group expensed all borrowing costs when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The revised accounting policy does not have a material effect on the reported results and financial position of the Group for the current or prior accounting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for HKFRS 5[2]
HKAS 24 (Revised)	Related party disclosures[5]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a minimum funding requirement[5]
HK(IFRIC)-INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2010.

4 Effective for annual periods beginning on or after 1 February 2010.

5 Effective for annual periods beginning on or after 1 January 2011.

6 Effective for annual periods beginning on or after 1 July 2010.

7 Effective for annual periods beginning on or after 1 January 2013.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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 consolidated financial statements.

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 HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange 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 statement of comprehensive income 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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.

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented in the consolidated statement of financial position 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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets 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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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 statement of financial position 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 sold 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 on initial recognition.

Commission income are recognised when services are provided.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

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 accumulated impairment losses.

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

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

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 lessee

Operating lease payments are recognised as an expense 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 profit or loss 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 and amortised over the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009 are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Inventories

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

Financial instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

Financial instruments (continued)

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, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period 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. Subsequent to initial recognition, receivables (including trade receivables, deposits and other receivables, amounts due from fellow subsidiaries, amount due from a jointly controlled entity and bank balances and cash) 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 FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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 the end of the reporting period. 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 and amount due from a jointly controlled entity where the carrying amounts are 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the 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 (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial 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, dividend payable, amount due to a fellow subsidiary, amount due to an associate, amount due to a jointly controlled entity 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

Financial instruments (continued)

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 the end of the reporting period. 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.

Cash flow hedge

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

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to 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 accumulated 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 gain or loss accumulated in equity is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income 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 the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

4. Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period 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 the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are not expected to be sold in the foreseeable future. The management estimates the net realisable value for such stocks based primarily on the current market conditions. However, given the competitiveness of the market, these prices may subsequently be affected.

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.

As at 31 December 2008 and 2009, the capital structure of the Group consisted of debts, which include the amounts due to related parties and equity attributable to owners 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 associated 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

6. Financial Instruments

Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Derivative instruments in designated hedge accounting relationships	–	2,297
Loans and receivables (including cash and cash equivalents)	25,756	100,931
Available-for-sale financial assets	–	675
Financial liabilities		
Amortised cost	22,934	59,611

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, bank balances and cash, derivative financial instruments, available-for-sale investments, amounts due from/to related companies, trade payables, other payables and bank borrowings. After the completion of the Disposal on 28 October 2009, the Group did not have derivative financial instruments, available-for-sales investments and bank borrowings as at 31 December 2009 and remained certain loans and receivables. 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

As at 31 December 2009, the Group's major monetary assets and liabilities are denominated in the functional currencies of the respective group entities. Therefore, the directors considered that the Group's foreign currency exposure is minimal.

During the year ended 31 December 2008, a then subsidiary of the Company, of which functional currency is Renminbi ("RMB") had foreign currency intragroup sales which were denominated in HK$, which exposed the subsidiary to foreign currency risk. The Group required the then subsidiary to use foreign exchange forward contracts to hedge the currency exposures. On this basis, the subsidiary had entered into forward contracts to hedge for the currency exposure on the forecast sales as set out in note 38. It is the Group's policy to negotiate the terms of the hedging instruments to match with the terms of the hedged items to maximise hedge effectiveness.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

As at 31 December 2009, the Group did not have any outstanding forward contracts and therefore the Group is not exposed to the relevant currency risk.

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 included only outstanding forward contracts designated as cash flow hedges as at 31 December 2008, and adjusted their translation at the end of the reporting period. Where RMB strengthened 5% against HK$, there would be an increase of HK$2,521,000 in the hedging reserve. For a 5% weakening of RMB against HK$, there would be an equal and opposite impact on the hedging reserve.

Interest rate risk

The Group's interest rate exposure on bank deposits, for both years is limited because of the short maturities.

As at 31 December 2009, the Group is not exposed to cash flow interest rate risk in relation to bank borrowings.

As at 31 December 2008, the Group was exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 30 for details of these borrowings). It was 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 exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. As at 31 December 2008, the Group's cash flow interest rate risk was mainly arisen from the fluctuation of prevailing market rates on the Group's HK$ and RMB borrowings.

Sensitivity analysis

As at 31 December 2009, the Group did not have any interest bearing borrowings and therefore the Group is not exposed to the relevant cash flow interest rate risk.

The sensitivity analysis below had been determined based on the exposure to interest rates as at 31 December 2008 for variable-rate bank borrowings (note 30), the analysis was prepared assuming the amount of liability outstanding at the end of the reporting period 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2009, 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 statement of financial position.

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 debt at the end of the reporting period 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.

As at 31 December 2008, other than concentration of credit risk on amounts due from subsidiaries of High Fashion and a jointly controlled entity, the Group did not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The Group did not have credit policy for receivable from the subsidiaries of High Fashion and the jointly controlled entity. However, as the subsidiaries of High Fashion are financially supported by High Fashion which operated with positive operating cashflow and had adequate net current assets as at 31 December 2008, accordingly, the directors of the Company considered the credit risk is minimal in the view of the financial background of High Fashion.

Liquidity risk

In 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 monitored the utilisation of bank borrowings and ensured compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 3 months HK$'000	3-6 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 12.31.2009 HK$'000
2009					
Non-derivative financial liabilities					
Trade payables	–	4,157	–	4,157	4,157
Amount due to a former subsidiary of the Company	–	15,559	–	15,559	15,559
Other payables	–	3,207	–	3,207	3,207
Dividend payable	–	11	–	11	11
		22,934	–	22,934	22,934

	Weighted average effective interest rate %	Less than 3 months HK$'000	3-6 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 12.31.2008 HK$'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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

6. Financial Instruments (continued)

Fair value

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, using prices or rates from observable current market transactions as input.

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

7. Revenue

Revenue represents the amounts received and receivable for goods sold by the Group to outsider customers, less discounts and sales related tax, from continuing operations for the year.

8. Other Income

	2009 HK$'000	2008 HK$'000
Continuing operations		
Interest income	**11**	10
Net foreign exchange gain	**77**	–
Others	**236**	434
	324	444

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9. Segment Information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. The predecessor Standard (HKAS 14, Segment Reporting) for presentation of segmentation information required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. For the year ended 31 December 2008, the Group's revenue was derived from four regions-Hong Kong and Macau, the People's Republic of China (the "PRC"), Taiwan and Singapore.

HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The chief operating decision maker is the board of directors of the Company.

Pursuant to the new appointment of the chief operating decision maker on 28 October 2009, internal reports reviewed by the newly appointed decision maker are no longer analysed by geographical segments. Instead, the internal reports present only one operating segment, which is the retailing business, to the newly appointed decision maker. The segment revenue derived from the continuing operations of HK$89,593,000 (2008: HK$95,110,000) and segment result derived from the continuing operations of profit HK$2,822,000 (2008: loss HK$1,113,000) (excluding corporate administrative expenses incurred by the Company of HK$5,231,000 (2008: HK$3,034,000)) are shown in the consolidated statement of comprehensive income on page 27.

The segment revenue derived from the discontinued operations of HK$149,811,000 (2008: HK$207,683,000) and segment result derived from the discontinued operations of loss HK$46,855,000 (2008: loss HK$28,076,000) are shown note 12.

Segment assets and liabilities regarding the retailing business are reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

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For the year ended 31 December 2009

9. Segment Information (continued)

The segment assets and liabilities of the retailing business are analysed as follows:

	2009 HK$'000	2008 HK$'000
Segment assets		
– continuing operations	42,980	33,428
– discontinued operations	–	147,271
	42,980	180,699
Segment liabilities		
– continuing operations	29,407	9,040
– discontinued operations	–	52,049
	29,407	61,089

Reconciliation of segment assets

	2009 HK$'000	2008 HK$'000
Segment assets	42,980	180,699
Unallocated assets:		
Property, plant and equipment	80	22,474
Prepaid lease payments	–	36,281
Available-for-sales investments	–	675
Deferred taxation	–	1,795
Amounts due from a jointly controlled entity	–	17,713
Deposit, prepayments and other receivables	557	507
Bank balances and cash	84	58
	43,701	260,202

Reconciliation of segment liabilities

	2009 HK$'000	2008 HK$'000
Segment liabilities	29,407	61,089
Unallocated liabilities:		
Amounts due to a fellow subsidiary	–	387
Amount due to an associate	–	594
Amounts due to a jointly controlled entity	–	17,713
Accrued charges for corporate expenses	1,571	422
Dividend payables	11	–
Taxation	–	1,401
Bank borrowings	–	1,149
	30,989	82,755

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

9. Segment Information (continued)

The total revenue of continuing operations and discontinued operations derived from external customers of different geographical locations are analysed as follows:

	2009 **HK$'000**	2008 HK$'000
Hong Kong and Macau	**18,780**	15,479
PRC	**128,285**	185,903
Taiwan	**89,593**	95,110
Singapore	**2,746**	6,301
	239,404	302,793

The following (income) expenses are included in the measure of segment profit or loss reviewed by the chief operating decision maker:

	2009 **HK$'000**	2008 HK$'000
Interest income	**(13)**	(81)
Interest expense	**24**	626
Depreciation of property, plant and equipment	**12,566**	17,187
Amortisation of intangible assets	**–**	1,000
Amortisation of prepaid lease payment	**478**	567

During the year ended 31 December 2009, additions of HK$5,669,000 (2008: HK$18,838,000) was made to the non-current assets.

As the Group is principally engaged in retailing business, there is no transaction with a single external customer amount to more than 10 per cent of the Group's revenue. As at 31 December 2009, non-current assets of HK$1,831,000 and HK$80,000 were located in Taiwan and Hong Kong respectively. As at 31 December 2008, non-current assets of HK$81,191,000, HK$2,922,000, HK$2,026,000 and HK$26,000 were located in PRC, Taiwan, Hong Kong and Singapore.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

10. Finance Costs

	2009 **HK$'000**	2008 HK$'000
Continuing operations		
Interest on bank loans and other borrowings wholly repayable within five years	**–**	166
	–	166

11. Tax Charge

	2009 **HK$'000**	2008 HK$'000
Continuing operations		
Tax charge comprises:		
Current tax charge	**–**	–
Underprovision in prior years	**–**	190
Deferred tax (note 32)	**1,795**	(123)
	1,795	67

No provision for Hong Kong Profits Tax has been made for both years as the Company and its subsidiaries have no assessable profit arising in Hong Kong. On 26 June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2009 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions. During the year ended 31 December 2009, the profit tax rate prevailing in Taiwan was reduced from 25% to 20%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

11. Tax Charge (continued)

The tax charge for the year can be reconciled to the loss before taxation from continuing operations per the consolidated statement of comprehensive income as follows:

	2009 **HK$'000**	2008 HK$'000
Loss before taxation from continuing operations	**2,409**	4,147
Tax at the applicable tax rate of 20% (2008: 25%)	**482**	1,037
Tax effect of expenses not deductible for tax purpose	**–**	(426)
Tax effect of income not taxable for tax purpose	**526**	327
Tax effect of estimated tax losses not recognised	**(863)**	(705)
Utilisation of tax losses not previously recognised	**38**	–
Effect of different tax rates of entities operating in other jurisdictions	**(183)**	(233)
Underprovision in prior years	**–**	190
Reversal of previously recognised net deductible temporary difference	**(1,795)**	(123)
Tax charge for the year relating to continuing operations	**(1,795)**	(67)

12. Discontinued Operations

On 8 August 2009, the Group entered into a sale agreement to dispose of Theme International Holdings (BVI) Limited ("Theme BVI"), a wholly owned subsidiary of the Company, and its subsidiaries (excluding Access Sino Limited ("Access Sino"), Taiwan Vision Company Limited ("Taiwan Vision") and Da Hua Li Company Limited ("Da Hua Li")) (collectively referred to as the "Disposal Group")), which carried out the Group's retailing business in Hong Kong and Macau, the PRC and Singapore (the "Disposal"). The Disposal was completed on 28 October 2009, on which date control of Theme BVI was passed to the acquirer.

The loss for the year from the discontinued operations is analysed as follows:

	2009 **HK$'000**	2008 HK$'000
Loss from discontinued operations for the year	**(47,330)**	(28,462)
Gain on disposal of the Disposal Group (note 33)	**29,324**	–
	(18,006)	(28,462)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

12. Discontinued Operations (continued)

The results of the discontinued operations for the period from 1January 2009 to 28 October 2009, which have been included in the consolidated statement of comprehensive income, were as follows:

	1 January 2009 to 28 October 2009 HK$'000	Year ended 31 December 2008 HK$'000
Revenue	**149,811**	207,683
Cost of sales	**(79,495)**	(98,906)
Other income	**2,430**	7,211
Selling and distribution expenses	**(57,336)**	(77,938)
Administrative expenses	**(39,344)**	(54,496)
Gain on disposal of a jointly controlled entity	**–**	1,456
Impairment loss on property, plant and equipment	**(10,460)**	–
Allowance for an amount due from a jointly controlled entity	**(12,437)**	(3,326)
Impairment loss on intangible asset	**–**	(9,300)
Finance costs	**(24)**	(460)
Loss before tax	**(46,855)**	(28,076)
Income tax expense	**(475)**	(386)
Loss for the period/year	**(47,330)**	(28,462)

Loss for the period/year from discontinued operations included the following:

	1 January 2009 to 28 October 2009 HK$'000	Year ended 31 December 2008 HK$'000
Depreciation of property, plant and equipment	**10,335**	13,859
Amortisation of intangible assets	**–**	1,000
Amortisation of prepaid lease payments	**478**	567
Loss on disposal of property, plant and equipment	**28**	255
Staff costs		
Salaries and allowances	**24,982**	41,296
Retirement benefits scheme contributions	**1,036**	1,416
	26,018	42,712

During the year, the Disposal Group contributed HK$19 million (2008: HK$31 million) to the Group's net operating cash flows, paid HK$12 million (2008: HK$9 million) in respect of investing activities and paid HK$2 million (2008: HK$32 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal are disclosed in note 33.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

13. Loss for the Year

Continuing operations

	2009 HK$'000	2008 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Write back of allowance for obsolete inventories (included in cost of sales) (note a)	**(2,772)**	(4,180)
Cost of inventories recognised as expenses	**42,716**	45,431
Depreciation of property, plant and equipment	**2,231**	3,328
Net foreign exchange (gain) loss	**(77)**	427
Auditor's remuneration	**933**	1,224
Operating lease rentals in respect of rented premises	**5,829**	7,579
Contingent rents (note b)	**12,925**	14,128
Loss on disposal of property, plant and equipment	**109**	189
Directors' remuneration (note 14)	**633**	360
Other staff costs		
Salaries and allowances	**14,300**	11,888
Retirement benefits scheme contributions	**734**	793
	15,034	12,681

Notes:

(a) Excess obsolete inventory provisions are written back when the relevant inventories are sold. The amount is included in cost of sales for both years.

(b) The contingent rents are determined based on a certain percentage of the gross sales of the relevant shops when the sales meet certain specified levels.

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For the year ended 31 December 2009

14. Directors' Remuneration

The emoluments paid or payable to each of the 12 (2008: 5) directors were as follows:

For the year ended 31 December 2009

	Fees HK$'000	Other emoluments HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Wong Lik Ping	–	–	–	–	–
Ma Chi Shing	–	–	280	2	282
Huang Bin	–	–	–	–	–
Qiao Weibing	–	–	–	–	–
Kee Wah Sze	9	–	–	–	9
Chan Pat Lam	9	–	–	–	9
To Yan Ming Edmond	9	–	–	–	9
Lam Foo Wah	–	–	–	–	–
So Siu Hang, Patricia	–	–	–	–	–
Leung Hok Lim	108	–	–	–	108
Mak Kam Sing	108	–	–	–	108
Wong Shiu Hoi, Peter	108	–	–	–	108
Total emoluments	351	–	280	2	633

For the year ended 31 December 2008

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

Mr. Lam Foo Wah and Ms. So Siu Hang, Patricia did not receive remuneration from the Group for both years. Mr. Wong Lik Ping, Huang Bin and Qiao Weibing did not receive remuneration from the Group for the year ended 31 December 2009. No directors waived any emoluments during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

15. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2008: five) are employees of the Group and their emoluments were as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and allowances	**1,591**	2,987
Retirement benefits scheme contributions	**20**	44
	1,611	3,031

Their emoluments were within the following bands:

	2009 **No. of** **employees**	2008 No. of employees
Nil to HK$1,000,000	**4**	5

During both years, 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.

16. Dividends

Pursuant to the shareholders' approval at the special general meeting dated 28 October 2009, a special dividend of HK$0.1506 per share was approved and declared to the holders of the ordinary shares of HK$0.01 each in the issued share capital of the Company. The aggregate amount of special dividends paid by the Company for the year ended 31 December 2009 was HK$135,006,000.

No final dividend is recommended by the Directors for the year ended 31 December 2009 (2008: nil).

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17. Loss Per Share

From continuing and discontinued operations

The calculation of basic loss per share attributable to the owners of the Company is based on the following data:

	2009 HK$'000	2008 HK$'000
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	**(22,210)**	(32,676)

	2009 '000	2008 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,585,820**	3,585,820

The calculation of basic loss per share attributable to the owners of the Company for both years have been adjusted as a result of the Company's Share Consolidation and share subdivision (see note 31) as appropriate.

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2009 HK$'000	2008 HK$'000
Loss for the year attributable to owners of the Company	**(22,210)**	(32,676)
Less: Loss for the year from discontinued operations	**(18,006)**	(28,462)
Loss for the purpose of basic loss per share from continuing operations	**(4,204)**	(4,214)

The denominators used are the same as those detailed above for basic loss per share.

From discontinued operations

Basic loss per share from the discontinued operations is HK(0.50) cent per share (2008: HK(0.79) cent per share), based on the loss for the year from the discontinued operations of HK$18,006,000 (2008: HK$28,462,000) and the denominators detailed above for basic loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

18. Property, Plant 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 2008	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
Additions	–	194	5,475	–	5,669
Disposals	–	–	(2,076)	–	(2,076)
Disposed on disposals of subsidiaries	(23,474)	(9,803)	(61,320)	(1,947)	(96,544)
Exchange realignment	–	1	512	5	518
At 31 December 2009	**–**	**55**	**18,807**	**272**	**19,134**
DEPRECIATION					
At 1 January 2008	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
Provided for the year	439	380	11,475	272	12,566
Impairment loss recognised on profit or loss	–	–	10,399	61	10,460
Eliminated on disposals	–	–	(1,752)	–	(1,752)
Eliminated on disposals of subsidiaries	(1,439)	(8,553)	(54,003)	(1,630)	(65,625)
Exchange realignment	–	1	459	4	464
At 31 December 2009	**–**	**43**	**16,986**	**194**	**17,223**
CARRYING VALUES					
At 31 December 2009	**–**	**12**	**1,821**	**78**	**1,911**
At 31 December 2008	22,474	1,448	25,808	727	50,457

During the year ended 31 December 2009 and before the disposals of certain subsidiaries, the directors of the Company decided to lease the Group's office premises to outsiders. Accordingly, certain furniture and fixtures of the premises were fully written off. As a result, impairment loss of HK$10,460,000 has been recognised in profit or loss.

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18. Property, Plant and Equipment (continued)

Property, plant and equipment with carrying value of HK$30,919,000 were disposed of upon the disposal of certain subsidiaries of the Group on 28 October 2009.

As at 31 December 2008, the Group's buildings were located in the PRC and were held under long lease.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum, after taking into account of their estimated residual value:

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%

19. Intangible Assets

	Goodwill HK$'000	**Trademarks** HK$'000	**Total** HK$'000
COST			
At 1 January 2008 and 31 December 2008	1,800	10,000	11,800
Disposed on disposals of subsidiaries	(1,800)	(10,000)	(11,800)
At 31 December 2009	–	–	–
AMORTISATION			
At 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
Eliminated on disposals of subsidiaries	(1,800)	(10,000)	(11,800)
At 31 December 2009	**–**	**–**	**–**
CARRYING VALUES			
At 31 December 2009 and 2008	–	–	–

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19. Intangible Assets (continued)

For the year ended 31 December 2008:

(a) The trademarks were amortised over 10 years.

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

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

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

(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 had been used for the analysis of the CGU within the operating 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 were less than their carrying amounts, impairment loss of HK$9,300,000 was recognised in profit or loss for the year ended 31 December 2008.

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20. Prepaid Lease Payments

As at 31 December 2008, the Group's prepaid lease payments represented the leasehold interest in land located in the PRC under long lease.

The amounts were analysed for reporting purposes as:

	2009 HK$'000	2008 HK$'000
Current asset (included in deposits, prepayments and other receivables)	**–**	573
Non-current asset	**–**	35,708
	–	36,281

The leasehold land was amortised on a straight-line basis over the lease terms and was disposed of upon the completion of the Disposal on 28 October 2009.

21. Investments in Associates

	2009 HK$'000	2008 HK$'000
Cost of investment in associates, unlisted	**–**	2,000
Share of post-acquisition losses	**–**	(2,000)
	–	–

Details of the Group's associates as 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: At 31 December 2008 the Group held 50% of registered capital of Sherman China and held 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 was required to pass a resolution in relation to the financial and operating policies of Sherman China. The Directors considered the Group did not exercise any control over Sherman China but the Group could exercise significant influence over Sherman China. Hence, Sherman China was classified as an associate to the Group.

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21. Investments in Associates (continued)

The summarised financial information in respect of the Group's associates as at 31 December 2008 is set out below:

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

The investments in associates had been fully impaired by the Group in previous years. The Group had discontinued recognition of its share of losses of these associates. Extracted from the relevant management accounts of the associates, the unrecognised share of losses of these associates for the year ended 31 December 2008 and accumulated unrecognised share of losses of these associates as at 31 December 2008 were HK$1,000 and HK$690,000 respectively.

After the completion of the Disposal on 28 October 2009, the Group did not hold any interests in the above associates.

22. Investment in a Jointly Controlled Entity

	2009 HK$'000	2008 HK$'000
Cost of investment in a jointly controlled entity	**–**	5
Share of post-acquisition losses	**–**	(5)
	–	–

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22. Investment in a Jointly Controlled Entity (continued)

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

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

The summarised financial information in respect of the Group's interest in jointly controlled entity as at 31 December 2008 is set out below:

	2008 HK$'000
Current assets	966
Non current assets	9,176
Current liabilities	13,251
Income	3,777
Expenses	6,309

Extracted from the management account of the jointly controlled entity, the unrecognised share of loss of the jointly controlled entity for the year ended 31 December 2008 and accumulated unrecognised share of losses of the jointly controlled entity as at 31 December 2008 were HK$2,532,000 and HK$10,731,000 respectively.

After the completion of the Disposal on 28 October 2009, the Group did not hold any interests in the jointly controlled entity.

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23. Available-For-Sale Investments

	2009 HK$'000	2008 HK$'000
Unlisted equity investments, at cost	–	1,000
Less: Impairment loss recognised	–	(325)
	–	675

As at 31 December 2008, the Group's unlisted investments represented investments in unlisted equity securities issued by a private entity incorporated in the BVI. They were measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that their fair values could not be measured reliably.

The available-for-sale investments were disposed of upon the completion of the Disposal on 28 October 2009.

24. Inventories

	2009 HK$'000	2008 HK$'000
Raw materials	–	5,963
Work in progress	–	7,227
Finished goods	12,626	36,305
	12,626	49,495

25. Trade Receivables

	2009 HK$'000	2008 HK$'000
Trade receivables	7,900	77,504
Less: Allowance for bad and doubtful debts	(361)	(44,596)
	7,539	32,908

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

25. Trade Receivables (continued)

The aging analysis of trade receivables, net of allowance for bad and doubtful debts, presented based on the invoice date at the end of the reporting period is stated as follows:

	2009	2008
	HK$'000	HK$'000
Within 90 days	**7,527**	26,764
91 to 180 days	**12**	2,717
181 to 360 days	**–**	2,550
Over 360 days	**–**	877
	7,539	32,908

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

Movement in the allowance for bad and doubtful debts

	2009	2008
	HK$'000	HK$'000
1 January	**44,596**	43,975
Impairment losses recognised on receivables	**44**	651
Amounts written off during the year	**(96)**	(30)
Eliminated on disposal of subsidiaries	**(44,183)**	–
31 December	**361**	44,596

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 end of the reporting period. 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$12,000 (2008: HK$6,144,000) which are past due at the end of reporting period for which the Group has not provided any allowance as the amount involved is not significant.

The allowance for bad and doubtful debts are provided for trade receivables which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

25. Trade Receivables (continued)

Aging of trade receivables which are past due but not impaired

	2009 **HK$'000**	2008 HK$'000
91-180 days	**12**	2,717
181-360 days	**–**	2,550
Over 360 days	**–**	877
	12	6,144

26. Deposits, Prepayments and Other Receivables

	2009 **HK$'000**	2008 HK$'000
Deposits and prepayments	**3,408**	18,844
Other receivables	**1,330**	3,424
Total deposits, prepayments and other receivables	**4,738**	22,268

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

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

	2009 **HK$'000**	2008 HK$'000
1 January	**–**	892
Amount written off during the year	**–**	(892)
31 December	**–**	–

27. Bank Balances and Cash

Bank balances and cash comprise cash and short-term bank deposits held by the Group which carried effective interest at 0.19% (2008: 0.1%) per annum and have an original maturity of three months or less.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

28. Trade Payables

The following is an aging analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	2009 **HK$'000**	2008 HK$'000
Within 90 days	**4,157**	16,450
91 to 180 days	**–**	967
181 to 360 days	**–**	1,158
Over 360 days	**–**	5,279
	4,157	23,854

29. Other Payables and Accrued Charges

	2009 **HK$'000**	2008 HK$'000
Amount due to a former subsidiary of the Company (note)	**15,559**	–
Deposits receipts from customers and wholesalers	**146**	10,488
Other payables	**3,207**	15,914
Accrued charges	**7,909**	11,255
	26,821	37,657

Note:

Amount represented balance due to Theme BVI, a former subsidiary of the Company, which is unsecured, interest-free and is repayable on demand.

30. Bank Borrowings

As at 31 December 2008, the Group's bank borrowings represented variable-rate trust receipt loans which carried interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5% per annum. The effective interest rate was 3% per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

31. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares		
Authorised:		
At 1 January 2008	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
Increase by way of share subdivision (note b)	150,000,000	–
At 31 December 2009	**200,000,000**	**500,000**
Issued and fully paid:		
At 1 January 2008	8,964,550	89,645
Completion of share consolidation and capital reduction (note a)	(8,068,095)	(80,680)
At 31 December 2008	896,455	8,965
Increase by way of share subdivision (note b)	2,689,365	–
At 31 December 2009	**3,585,820**	**8,965**

Notes:

(a) On 3 January 2008, the Company restructured 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 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.

(b) Pursuant to the shareholders' approval at the special general meeting dated 29 December 2009, each of the then-existing issued and unissued shares of HK$0.01 each in the share capital of the Company was subdivided into four subdivided shares of HK$0.0025 each ("Subdivided Share"). Immediately upon the share subdivision becoming effective, the authorised share capital of the Company became HK$500,000,000 divided into 200,000,000,000 Subdivided Shares, of which 3,585,819,836 Subdivided Shares were in issue and fully paid.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

32. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current 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 2008	93	1,197	518	(152)	(1,800)	1,800	1,656
(Charge) credit to profit or loss 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
Reversal to profit or loss	(99)	(473)	(257)	147	–	(1,113)	(1,795)
At 31 December 2009	**–**	**–**	**–**	**–**	**–**	**–**	**–**

In view of the unpredictability of the future profit streams, the Group has charged the deferred tax assets of HK$1,795,000 to profit or loss in year 2009.

At the end of the reporting period, the Group has estimated unrecognised tax losses of approximately HK$317,675,000 (2008: HK$804,955,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses as at 31 December 2009 due to unpredictability of future profit streams. The unrecognised tax losses would be carried forward indefinitely.

As at 31 December 2008, included in unrecognised tax losses are losses of HK$13,940,000 that would be expired in 2012, and the remaining losses would be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

33. Disposal of Subsidiaries

As referred to in note 12, the Group has completed the Disposal on 28 October 2009. The net assets of the Disposal Group at the date of disposal were as follows:

	At 28 October 2009 HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	30,919
Investments in associates	–
Intangible assets	–
Prepaid lease payments	35,230
Available-for-sale investments	675
Inventories	26,407
Trade receivables	22,946
Deposits, prepayments and other receivables	10,588
Amounts due from fellow subsidiaries	10,877
Amount due from a former subsidiary of the Company	15,559
Bank balances and cash	21,963
Trade payables	(24,546)
Other payable and accrued charges	(34,751)
Amount due to an associate	(594)
Taxation	(2,273)
	113,000
Cumulative exchange gains in respect of the net assets of the subsidiaries reclassified to profit or loss on disposal of the subsidiaries	(6,510)
Cumulative fair value gain on derivative hedging instruments reclassified to profit or loss on disposal of the subsidiaries	(1,116)
	105,374
Gain on disposal	29,324
Total consideration	134,698
Satisfied by:	
– Cash	134,698
Net cash inflow arising on disposal:	
– Cash consideration	134,698
– Bank balances and cash disposed of	(21,963)
	112,735

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

33. Disposal of Subsidiaries (continued)

Particulars of principal subsidiaries of the Company were disposed of upon the completion of the Disposal on 28 October 2009:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Group		Principal activities
			28.10.09 %	31.12.08 %	
Angel Star Investment Limited	Hong Kong	HK$2 ordinary HK$2 non-voting deferred	**100**	100	Trademarks holding
Dongguan Yihao Fashions Limited (note)	PRC	HK$20,500,000	**100**	100	Manufacturing of garments
Guangdong Theme-Huayu Fashion Company Limited (note)	PRC	RMB5,000,000	**100**	100	Retailing of garments
Stage II Limited	Hong Kong	HK$800,000	**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)	PRC	RMB60,000,000	**100**	100	Retailing and trading of garments
Theme Fashion (Singapore) Pte. Ltd.	Singapore	S$100,000	**100**	100	Retailing of garments
Theme Industry Hangzhou Company Limited (note)	PRC	US$2,000,000	**100**	100	Manufacturing of garments
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

Note: These companies are registered as wholly foreign-owned enterprises.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

33. Disposal of Subsidiaries (continued)

As at 31 December 2008 and 28 October 2009, except for Theme BVI, which was directly held by the Company, all other subsidiaries listed above were 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 Disposal Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Certain investee companies were disposed upon the completion of the Disposal on 28 October 2009. Details of the Group's investee companies at 28 October 2009 and 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** (note 1) %	**Principal activity**
Emporium Holdings (Singapore) Limited (note 2)	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

33. Disposal of Subsidiaries (continued)

After the completion of the Disposal on 28 October 2009, the Group did not hold any interests in the above investee companies.

Notes:

1. On 22 August 1997, 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 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 was not regarded as a subsidiary of the Company and had not been consolidated into the Group's consolidated financial statements for the year ended 31 December 2008 since the control on the Emporium Group had been lost.

2. 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%.

34. Share Option Scheme

The 2002 Share Option Scheme (the "2002 Scheme")

The 2002 Scheme was terminated pursuant to the shareholders' approval at the special general meeting dated 29 December 2009.

No share options were granted under the 2002 Scheme as at the date of its termination.

The 2009 Share Option Scheme (the "2009 Scheme")

The 2009 Scheme was adopted by the Company on 29 December 2009.

The purpose of the 2009 Scheme is to encourage the eligible participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Company in retaining its existing employees and recruiting additional employees. A stronger business relationship will accordingly be established by the Group with the participants. Eligible participants of the 2009 Scheme include any employee, business associate and trustee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

34. Share Option Scheme (continued)

The total number of shares which may be issued upon exercise of all options which may be granted under the 2009 Scheme shall not exceed 10% of the total number of shares in issue at anytime. The maximum number of shares issuable under share options to each eligible participant in the 2009 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.

Any grant of option to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors. In addition, any share options granted to a substantial shareholder of the Company or an independent non-executive director or any of their respective 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 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 21 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 option period, which is determinable by the Company's board of directors and will not exceed 10 years from the date of grant of the options.

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 nominal 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 since its adoption nor outstanding as at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

35. Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	2009 **HK$'000**	2008 HK$'000
Within one year	**5,714**	17,132
In the second to fifth year inclusive	**3,728**	13,604
	9,442	30,736

Operating lease payments as at 31 December 2008 represented rentals payable by the Group for certain of its office premises, retail shops, factories and office equipment. As at 31 December 2009, operating lease payments represented rentals payable by the Group for an office premise and retail shops. 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 shops.

36. 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 are members of retirement benefits schemes operated by the PRC governments. The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The contributions are charged to profit or loss as incurred.

The Group has defined benefit plans for Taiwan employees. Under the defined benefit retirement plans, the calculation of the retirement benefits to the employees is based on years of service and average monthly salary at the time of retirement. The Group's contributions to the defined benefit retirement plans are calculated as certain percentages of salaries paid to employees and charged to profit or loss as incurred. The assets of the plans are held separately from those of the Group in a central fund administered by the relevant government body in Taiwan.

During the year ended 31 December 2009, retirement benefit scheme contribution of HK$736,000 (2008: HK$793,000) was charged to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

37. Related Party Transactions

During the year, the Group had transactions with related parties and balances with them as at the end of the reporting period are as follows:

Balances

	2009 HK$'000	2008 HK$'000
Amounts due from fellow subsidiaries (Note i)	**–**	21,829
Amount due from a jointly controlled entity (Note ii)	**–**	17,713
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	**–**	(594)

Notes:

(i) As at 31 December 2008, the amounts due from/(to) fellow subsidiaries which were trading in nature and aged within one year. The amounts due from (to) were unsecured, interest-free and had no fixed terms of repayment.

(ii) As at 31 December 2008, the amount was unsecured, interest bearing at 12% per annum and had no fixed terms of repayment. The amount had 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 had 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. During the year ended 31 December 2009, HK$12,437,000 was advanced to the jointly controlled entity. The amount was fully written off as at 31 December 2009 as the Company considered that it was uncertain to recover the amount.

(iii) As at 31 December 2008, the amount was unsecured, non-interest bearing and had no fixed terms of repayment.

The amounts due from/to fellow subsidiaries, a jointly controlled entity and an associate were released upon the completion of the disposal of the subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

37. Related Party Transactions (continued)

Transactions

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

	2009 HK$'000	2008 HK$'000
Purchases from a subsidiary of High Fashion	–	467
Subcontracting fee income from fellow subsidiaries (Note)	19,015	27,702

Note: The subcontracting fee income from fellow subsidiaries was taken place before the completion of Disposal.

(ii) In addition, High Fashion had given guarantees to banks to secure the general banking facilities granted to Theme International Limited ("TIL"), a subsidiary of the Company, during year ended 31 December 2008 and period ended 28 October 2009. After disposing certain subsidiaries including TIL on 28 October 2009, no guarantee was given by High Fashion to the Company or its subsidiaries.

(iii) During the year ended 31 December 2008, the Group introduced a subsidiary of High Fashion to a PRC manufacturing company (an independent third party) for subcontracting work. In addition, the Group liaised with such PRC manufacturing company to ensure the work performed is in accordance with the specifications set by High Fashion and received 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. No such income was received during the year ended 31 December 2009.

Details of the remuneration of key management personnel are disclosed in notes 14 and 15.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

38. Derivative Financial Instruments

The aggregate notional amount of the outstanding forward contracts at 31December 2008 was HK$50 million of selling HK$ for 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 were contracts designated as highly effective hedging instruments by a then subsidiary (of which the functional currency is RMB) to hedge highly probable forecast intragroup sales which were denominated in HK$ to a then 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 accumulated in equity and was expected to be reclassified to profit or loss at various dates in 2009 and 2010, the period in which the forecast sales were realised.

The terms of the foreign exchange forward contracts were negotiated to match the terms of the forecast intragroup sales and were considered as effective hedging instruments.

During the year ended 31 December 2009, certain forward contracts were matured. HK$246,000 has been reclassified from the hedging reserve to profit or loss upon the occurrence of the hedged sales. The remaining forward contracts, which were designated as effective hedging instruments, were early terminated during the year and accordingly, the hedging relationship were discontinued. Loss from fair value changes on the forward contracts of HK$935,000 has been deferred in the hedging reserve. HK$1,362,000 was received by the Group upon the expiry of certain forward contracts and early termination of the remain forward contracts. The cumulative net gain on the hedging instruments remained in the hedging reserve and would be reclassified to profit or loss upon the occurrence of the respective forecast hedged sales.

After the completion of the Disposal on 28 October 2009, the Group did not have derivative financial instruments and the hedging reserve of HK$1,116,000 was reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

39. Particulars of 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		Principal activities
			2009	2008	
			%	%	
Access Sino	BVI	US$1	**100**	–	Investment holding
Da Hau Li	Taiwan	NTD500,000	**100**	100	Retailing of garments
Taiwan Vision	Taiwan	NTD80,000,000	**100**	100	Retailing of garments

As at 31 December 2009, except for Access Sino, which was directly held by the Company, all other subsidiaries listed above were indirectly held by the Company.

None of the above subsidiaries had issued any debt securities during the years or at the end of the reporting periods.

Corporate Information

Directors

Executive Directors

Mr. Wong Lik Ping *(Chairman)*	(appointed on 5 November 2009) (appointed as Chairman on 26 November 2009)
Mr. Ma Chi Shing	(appointed on 5 November 2009)
Mr. Huang Bin	(appointed on 1 December 2009)
Mr. Lam Foo Wah	(resigned on 26 November 2009) (resigned as Chairman on 26 November 2009)
Ms. So Siu Hang, Patricia	(resigned on 26 November 2009)

Non-Executive Director

Mr. Qiao Weibing	(appointed on 1 December 2009)

Independent Non-Executive Directors:

Mr. Kee Wah Sze	(appointed on 5 November 2009)
Mr. Chan Pat Lam	(appointed on 5 November 2009)
Mr. To Yan Ming Edmond	(appointed on 5 November 2009)
Mr. Mak Kam Sing	(resigned on 26 November 2009)
Mr. Wong Shiu Hoi, Peter	(resigned on 26 November 2009)
Mr. Leung Hok Lim	(resigned on 26 November 2009)

Audit Committee

Mr. To Yan Ming Edmond *(Chairman)*	(appointed on 26 November 2009)
Mr. Kee Wah Sze	(appointed on 26 November 2009)
Mr. Chan Pat Lam	(appointed on 26 November 2009)
Mr. Wong Shiu Hoi, Peter *(Chairman)*	(resigned on 26 November 2009)
Mr. Mak Kam Sing	(resigned on 26 November 2009)
Mr. Leung Hok Lim	(resigned on 26 November 2009)

Remuneration Committee

Mr. To Yan Ming Edmond (Chairman)	(appointed on 26 November 2009)
Mr. Kee Wah Sze	(appointed on 26 November 2009)
Mr. Chan Pat Lam	(appointed on 26 November 2009)
Mr. Mak Kam Sing (Chairman)	(resigned on 26 November 2009)
Mr. Wong Shiu Hoi, Peter	(resigned on 26 November 2009)
Mr. Leung Hok Lim	(resigned on 26 November 2009)

Company Secretary

Mr. Ma Chi Shing	(appointed on 26 November 2009)
Ms. Chan Wai Wei, Cynthia	(resigned on 26 November 2009)

Corporate Information

Auditors
Deloitte Touche Tohmatsu

Legal Advisers
Tsun & Partners

Legal Advisers on Bermuda Law
Conyers Dill & Pearman

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office & Principal Place Of Business
12th Floor, Kwan Chart Tower
6 Tonnochy Road
Wanchai
Hong Kong

Principal Bankers
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

Principal Share Registrar & Transfer Office
The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

Sub-Registrar & 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

Stock Code
990

Website
www.990.com.hk

Financial Summary

RESULTS

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Note)	(Note)	(Note)	(Note)
Revenue	**89,593**	95,110	103,308	124,382	130,781
(Loss) profit before taxation	**(2,409)**	(4,147)	(12,116)	(2,300)	8,641
Tax (charge) credit	**(1,795)**	(67)	1,210	(1,509)	520
(Loss) profit for the year from continuing operations	**(4,204)**	(4,214)	(10,906)	(3,809)	9,161
Loss for the year from discontinued operations	**(18,006)**	(28,462)	(14,897)	(2,772)	(13,192)
	(22,210)	(32,676)	(25,803)	(6,581)	(4,031)
Attributable to:					
Owners of the Company	**(22,210)**	(32,676)	(25,803)	(6,581)	(4,031)
Minority interests	**–**	–	–	–	–
	(22,210)	(32,676)	(25,803)	(6,581)	(4,031)

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**43,701**	260,202	305,906	235,766	149,041
Total liabilities	**(30,989)**	(82,755)	(101,898)	(184,118)	(95,686)
	12,712	177,447	204,008	51,648	53,355

Note: The presentation of financial information for the four year ended 31 December 2008, 2007, 2006 and 2005 has been adjusted to reflect the financial results of the continuing operations and discontinued operations.