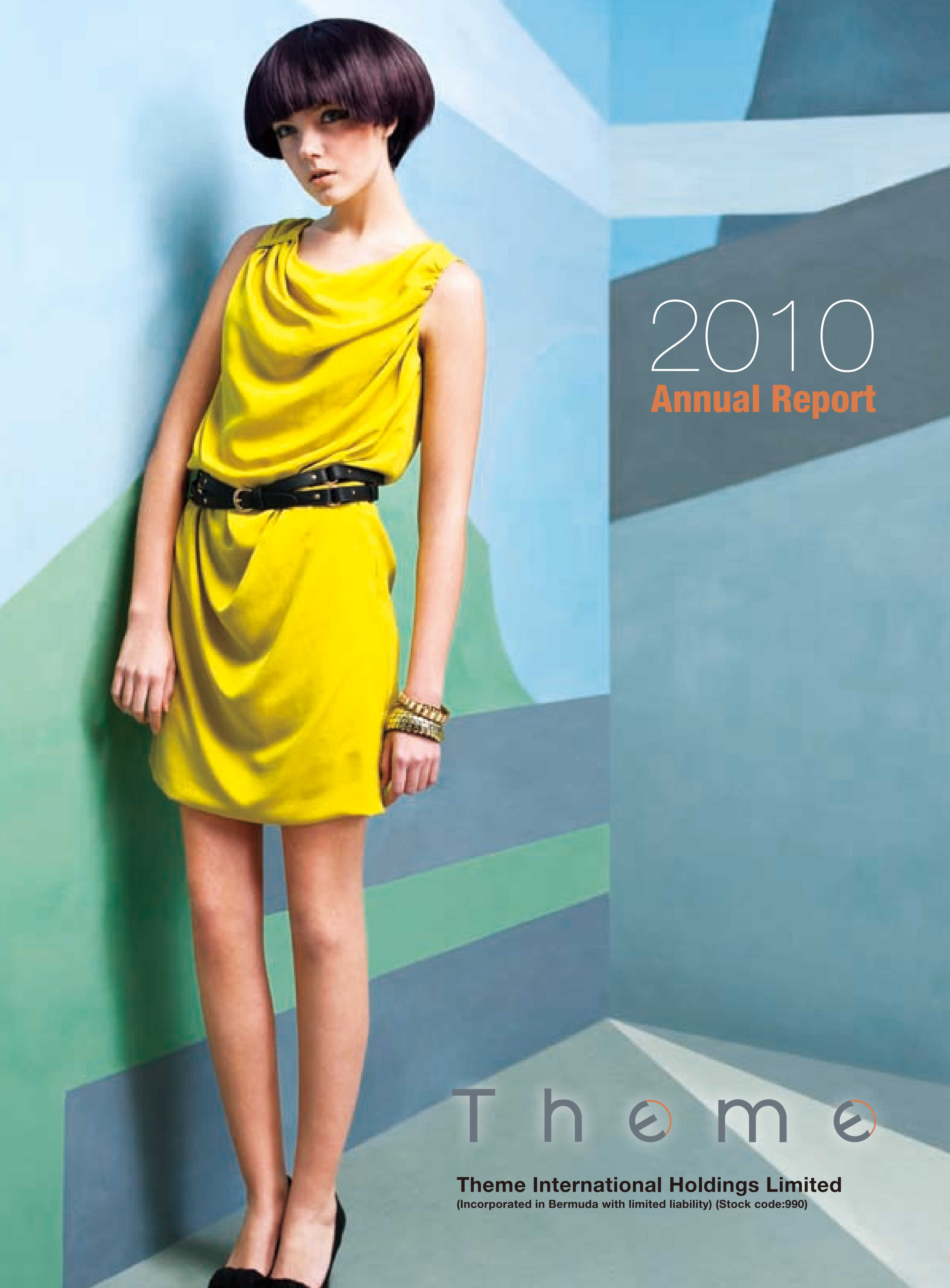


2010 Annual Report

Theme

Theme International Holdings Limited

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

Contents

Chairman's Statement

In 2010, Taiwan's economy has emerged from the global recession. It is slowly recovering from the global financial crisis and is growing steadily.

As the general economy improved, the revenue for the year 2010 was approximately HK$94.6 million, representing an increase of 5.6% when compared with HK$89.6 million for the year of 2009. However, the loss for the year of 2010 increased from HK4.2 million in 2009 to HK$47.6 million. The significant increase in loss was mainly because of share-based compensation expense. In 2010, Theme International Holdings Limited (the "Company", and together with its subsidiaries, the "Group") has granted 200,000,000 share options to the directors, employees and other eligible participants under the share option scheme of the Company. The share-based compensation expense of approximately HK$34.8 million was charged to the profit and loss account.

The Group has looked for other business opportunities this year and has entered into a non-legally binding memorandum of understanding ("MOU") in relation to the proposed acquisition (the "Proposed Acquisition") of the Qinglong Manzu Autonomous County Shan Lan Zhang Zi Iron Ore Mine on 9 July 2010. However, as the parties to the MOU could not reach agreement on the major terms and conditions in respect of the Proposed Acquisition on or before the expiry date of the MOU, the Group had not entered into any sale and purchase agreement in relation to the Proposed Acquisition and has issued a written notice to the vendors to terminate the MOU on 20 January 2011.

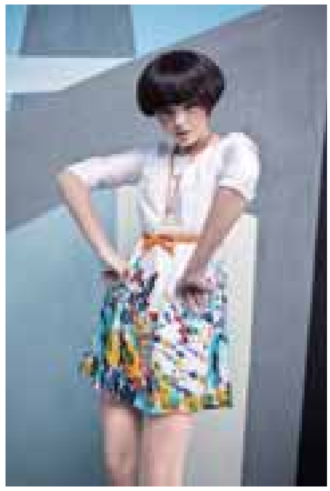
The Group will continue to strengthen the business of retailing of garments in Taiwan. As there remains uncertainties in the recovery of Taiwan's economy, the Company will continue to look for more business and investment opportunities to diversify the business of the Group and achieve substantial and sustainable financial growth for the Group and to maximize shareholder's value.

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, 25 March 2011

Management Discussion and Analysis


Business Review

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

Financial Review

Revenue, loss for the year and loss per share of the Group for the year ended 31 December 2010 and 2009 were summarized as follows:

	Revenue		Loss for the year		Loss per share	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000		
Continuing Operations	**94,620**	89,593	**(47,582)**	(4,204)	**HK(1.31) cent**	HK(0.12) cent
Discontinued Operations (Note)	**–**	149,811	**–**	(18,006)	**–**	HK(0.50) cent
Total Operations	**94,620**	239,404	**(47,582)**	(22,210)	**HK(1.31) cent**	HK(0.62) cent

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

Management Discussion and Analysis

The Taiwan economy is slowly recovering from the financial crisis. The revenue of the Group from the continuing operations increased by 5.6% to HK$94.6 million for the year ended 31 December 2010 from HK$89.6 million for the year ended 31 December 2009.

The loss from continuing operations has significantly increased to approximately HK$47.6 million for the year ended 31 December 2010 as compared with HK$4.2 million for the year ended 31 December 2009. The significant increase of the loss this year was attributable to the share-based compensation expense of approximately HK$34.8 million, the payment of director's remuneration of approximately HK$4.5 million and the increase of the operating lease expense by HK$3.4 million.

Due to the grant of 200,000,000 share options to the directors, employees and other eligible participants under the share option scheme of the Company, share-based compensation expense of approximately HK$34.8 million was charged to profit and loss during the year which was accounted for under HKFRS2.

Before 5 November 2009, only the directors' fees of the independent non-executive directors of the Company were charged to the Company, other directors' remuneration was borne by another entity. With the appointment of new management of the Company on or after 5 November 2009, the remuneration of all the directors and management are borne by the Company. This led to the increase in directors' emolument by HK$3.9 million (excluding share-based compensation expense).

Resulting from the gradual recovery of the Taiwan economy, the rental expense of the sales outlets and counters of the Group increased from HK$18.7 million in 2009 to HK$22.1 million in 2010.

Impacted by the above factors, the basic loss per share of the Group in respect of the continuing operations has increased from HK0.12 cent for the year ended 31 December 2009 to HK1.31 cent for the year ended 31 December 2010.

Management Discussion and Analysis

Charges on Assets

As at 31 December 2010, none of the Group's assets was charged or subject to any encumbrance.

Contingent Liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Exposure to Fluctuations in Exchange Rates

As at 31 December 2010, 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 2010, the Group had no bank and other borrowings.

As at 31 December 2010, the Group's current ratio (current assets divided by current liabilities) was 2.9. Based on the current cash position, the Group should have sufficient liquidity to meet its operational needs.

The liquidity of the Group has significantly improved after the completion of the new shares placement in June 2010. The Company entered into a subscription agreement with Sonic Way Limited on 18 June 2010 in relation to the subscription (the "Subscription") of 70,000,000 shares (the "Subscription Shares") of HK$0.0025 each in the share capital of the Company at HK$1.00 per Subscription Share. The Subscription was completed on 25 June 2010. The net proceeds raised from the Subscription is (i) for repayment of the Company's borrowings and payables (including an interest-free shareholder's loan of HK$10 million to the Company on 5 January 2010); and (ii) for general working capital and future strategic investments of the Group.

Capital Expenditure

The capital expenditure for the year was approximately HK$5.1 million, which was mainly for acquisition of shop furniture and fixtures. As at 31 December 2010, the Group has no material capital expenditure commitments.

Human Resources

As at 31 December 2010, the Group had 14 employees in Hong Kong and 182 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. Details of the share options being granted and outstanding under the share option scheme are set out in the section "Share Option Scheme" on page 67.

Management Discussion and Analysis

Future Prospect

The Group will continue its principal business of retailing of garments in Taiwan and will strive to improve its performance. As there remains uncertainties in the recovery of Taiwan's economy, the Board and the management of the Company believe that in order to achieve sustainable financial growth for the Group and to maximize shareholders' value, it is in the best interests of the Company to explore business opportunities in other industries.

The Group will leverage on the network and experience of the management of the Company to look for more business opportunities to be brought to the Group and 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. The Company will continue to look for more business and investment opportunities in other industries, including but not limited to energy and resources.

Directors' Report

The board of directors presents their annual report together with the audited financial statements for the year ended 31 December 2010.

Principal Activities

The Group's principal activity is retailing garments through the operation of retail outlets and department store counters in Taiwan. Particulars of the principal activities of the Company's subsidiaries during the year are set out in notes 31 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 consolidated financial statements.

Financial Results

The results of the Group for the year ended 31 December 2010 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 28 to 71.

Dividends

The board of directors does not recommend payment of a dividend for the year ended 31 December 2010.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

Reserves

As at 31 December 2010, in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), the Company did not have any reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended). 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.

Directors' Report

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 17 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 74. 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

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

Executive Directors:

Mr. Wong Lik Ping	
Mr. Cheung Wing Hong Shannon	(appointed on 21 June 2010)
Mr. Ma Chi Shing	
Mr. Huang Bin	(redesignated from Executive Director to Non-executive Director on 30 April 2010)

Non-Executive Directors:

Mr. Qiao Weibing	
Mr. Huang Bin	(redesignated from Executive Director to Non-executive Director on 30 April 2010)

Independent Non-Executive Directors:

Mr. Kee Wah Sze
Mr. Chan Pat Lam
Mr. To Yan Ming Edmond

Directors' Report

Directors (continued)

Pursuant to bye-law 86(2) of the bye-laws of the Company (the "Bye-laws"), Mr. Cheung Wing Hong Shannon shall hold office only until the next following general meeting of the Company and being eligible, offer himself for re-election.

Pursuant to bye-law 87 of the Bye-laws, Mr. Ma Chi Shing, Mr. Huang Bin and Mr. Chan Pat Lam 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 note 13 to the consolidated financial statements.

Biographical Details of Directors and Senior Management

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 18 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

No 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.

Directors' Report

Share Option Scheme

At the special general meeting of the Company held on 29 December 2009, the equity holders of the Company approved the adoption of a new option scheme (the "Scheme") to give the directors the power to implement and administer the Scheme with effect from the date of passing of the resolution. The Scheme was designed to reward and provide incentives to, and strengthen the Group's business relationship with the prescribed classes of participants, including but not limited to eligible employees and directors of any member of the Group, who contributed to the development of the Group. The Scheme is enforceable for a period of 10 years ending 28 December 2019, after which no further options are to be granted.

Details of the share option schemes of the Company are set out in note 27 to the consolidated financial statements. The vesting period of the options is two years from the date of grant and the options are then exercisable within a period of the following eight years. Each option gives the option holder the right to subscribe for one ordinary share of HK$0.0025 each. A total of 200,000,000 options were granted during the year ended 31 December 2010(2009: nil.). Save as disclosed, no outstanding options were exercised, cancelled or lapsed under the Scheme during the year.

Apart from the Company's share option scheme, during the year of 2010, no rights were granted to the directors, chief executives of the Company, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company.

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 2010, 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	62.07%

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.

(ii) Options to subscribe for ordinary shares (HK$0.0025 each) of the Company:

The directors have been granted unlisted options under the Company's share option scheme, details of which are set out in note 27 to the consolidated financial statements.

Save as disclosed above, as at 31 December 2010, 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.

Directors' Report

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 2010, 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.

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 29 to the consolidated financial statements.

Major Customers and Suppliers

In the year under review, sales to the five largest customers accounted for less than 10% of the total Group's sales for the year and the purchases from the largest five suppliers accounted for 44% of the total Group's purchases for the year respectively.

Related Party Transactions

During the year of 2010, the Group has not entered into any significant related party transactions.

Directors' Report

Continuing Connected Transactions

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. Pursuant to Rule 14A.11(4), High Fashion, being an associate of Mr. Lam Foo Wah (who resigned as a director of the Company on 26 November 2009), is a connected person of the Company until 25 November 2010, the transactions contemplated under the Supply Agreement up till 25 November 2010 constituted continuing connected transactions of the Company under the Listing Rules. The Supply Agreement and the transactions contemplated thereunder were approved by the Independent Shareholders at the Company's special general meeting held on 28 October 2009.

The contracting fees payable by Taiwan Vision to Theme International Limited for the period from 1 January 2010 to 25 November 2010 was amounted to HK$9,239,571.

The independent non-executive directors of the Company have reviewed the continuing connected transaction set out above and are of the opinion that the transaction 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 31December 2010.

Directors' Report

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 2010, except code provision A.2.1 on the separate roles of the chairman and chief executive officer during the period from 1 January 2010 to 20 June 2010. Details of the Company's corporate governance report are set out on pages 19 to 25.

Annual General Meeting

It is proposed that the annual general meeting of the Company will be held on Monday, 23 May 2011. 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 Thursday, 19 May 2011 to Monday, 23 May 2011 (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 Wednesday, 18 May 2011.

Auditors

The consolidated financial statements for the year ended 31 December 2010 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, 25 March 2011

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Wong Lik Ping, aged 50, was appointed as executive director of the Company in 2009. He is also the Chairman of the Company. Mr. Wong 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 18 years' experience in trading business and financial industry and has held directorship with various private companies. 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. Cheung Wing Hong Shannon, aged 38, has been appointed as executive director and Chief Executive Officer of the Company with effect from 21 June 2010. He has over 16 years' experience in corporate finance and banking. Mr. Cheung was the Managing Director, China, Global Banking, and Chief Representative Beijing of The Hongkong and Shanghai Banking Corporation Limited. Mr. Cheung holds a bachelor degree in business from University of Calgary and is also a CFA charter holder of the CFA Institute. Mr. Cheung is also (i) a member of the Chinese People's Political Consultative Conference Shanghai, Committee; (ii) a member of the All-China Youth Federation; and (iii) the Standing Committee member and Deputy Secretary-General of the Central State Owned Enterprise Youth Federation.

Mr. Ma Chi Shing, aged 41, was appointed as executive director of the Company in 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 of the Company and a director of Taiwan Vision Company Limited, a wholly-owned subsidiary of the Company.

Non-executive Directors

Mr. Qiao Weibing, aged 43, was appointed as non-executive director of the Company in 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

Non-executive Directors (continued)

Mr. Huang Bin, aged 50, has been appointed as executive director of the Company in 2009 and was redesignated as non-executive director of the Company with effect from 30 April 2010. 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 has resigned from the Company for the role of Chief Investment Officer on 30 April 2010.

Independent Non-executive Directors

Mr. Kee Wah Sze, aged 63, was appointed as independent non-executive director of the Company with effect from in 2009 and currently as members of the audit committee and remuneration committee of the Company. 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 62, was appointed as independent non-executive director of the Company in 2009 and currently as members of the audit committee and remuneration committee of the Company. 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.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors (continued)

Mr. To Yan Ming, Edmond, aged 39, was appointed as independent non-executive director of the Company in 2009 and currently as Chairman of the audit committee and the remuneration committee of the Company. 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 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), which shares are 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. Mr. To was also an independent non-executive director and member of the audit committee and remuneration committee of Hong Kong Life Group Holdings Limited (formerly known as Aptus Holdings Limited) (Stock Code: 8212) from 11 January 2006 to 26 October 2010.

Senior Management

Mr. Tu Wen Chen, Arthur, aged 50, joined the Group in 2000, is currently 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 2010, except code provision on A.2.1 on the separate roles of the chairman and chief executive officer ("CEO") during the period from 1 January 2010 to 20 June 2010 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 2010.

(c) Board Composition and Board Practices

The composition of the board of directors of the Company (the "Board") is shown on page 72 of this report. As at 31 December 2010, the Board comprised of eight directors, including three executive directors, two non-executive directors and three independent non-executive directors. One of the three independent non-executive directors has appropriate professional qualifications, or accounting or related financial management expertise. The 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 reelection 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 and Senior Management".

In 2010, the Board held 5 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 21 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 5, 2 and 1 meetings respectively in 2010.

Corporate Governance Report

(c) Board Composition and Board Practices (continued)

The attendance at the Board and respective Board Committees Meetings held in 2010 are as follows:

Name of Directors	Board	Audit Committee	Remuneration Committee
Executive directors:			
Mr. Wong Lik Ping	4/5	N/A	N/A
Mr. Ma Chi Shing	5/5	N/A	N/A
Mr. Cheung Wing Hong Shannon (appointed on 21 June 2010)	1/1	N/A	N/A
Non-executive Directors			
Mr. Qiao Weibing	2/5	N/A	N/A
Mr. Huang Bin (redesignated as Non-executive director on 30 April 2010)	3/5	N/A	N/A
Independent Non-executive Directors			
Mr. Kee Wah Sze	5/5	2/2	1/1
Mr. Chan Pat Lam	5/5	2/2	1/1
Mr. To Yan Ming Edmond	5/5	2/2	1/1

(d) Chairman and Chief Executive Officer

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. During 2010, from 1 January 2010 to 20 June 2010, the Company had no officer with the title of CEO and the role of CEO is temporarily performed by the Chairman. On 21 June 2010, the Company has appointed Mr. Cheung Wing Hong, Shannon as the CEO of the Company. Accordingly, the Company has separate individuals occupying these two offices.

Corporate Governance Report

(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. 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 72 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 21. 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 13 to the consolidated financial statements.

(g) Nomination of Directors

According to recommended A.4.4 of the CG Code, listed issuers are recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors. As the board of directors considered that a nomination committee was not necessary to set up as the Board 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.

Corporate Governance Report

(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 21. During the year ended 31 December 2010, 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 ceases to be a partner of the auditing firm.

(i) Auditors' Remuneration

The Company's external auditor is Deloitte Touche Tohmatsu. For the year ended 31 December 2010, the Auditors of the Company and subsidiaries received approximately HK$782,000 for audit service and HK$187,800 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:

Corporate Governance Report

(j) Internal Control (continued)

(i) Organisational Structure

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

(ii) Authority and Control

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

(iii) Budgetary Control and Financial Reporting

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

(iv) Systems and Procedures

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

Corporate Governance Report

(k) Communication with Shareholders

At 2010 Annual General Meeting ("2010 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 2010 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 26 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 28 to 71, which comprise the consolidated statement of financial position as at 31 December 2010, 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 of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 of the consolidated financial statements that give a true and fair view 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 2010 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
25 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Continuing operations			
Revenue	7	**94,620**	89,593
Cost of sales		**(41,298)**	(39,944)
Gross profit		**53,322**	49,649
Other income	8	**556**	324
Selling and distribution expenses		**(47,971)**	(43,714)
Administrative and other expenses		**(53,405)**	(8,668)
Loss before taxation		**(47,498)**	(2,409)
Tax charge	10	**(84)**	(1,795)
Loss for the year from continuing operations	12	**(47,582)**	(4,204)
Discontinued operations			
Loss for the year from discontinued operations	11	**–**	(18,006)
Loss for the year attributable to owners of the Company		**(47,582)**	(22,210)
Other comprehensive income			
Exchange differences arising on translating foreign operations			
Exchange differences arising during the year		**1,192**	1,288
Reclassification adjustments relating to foreign operations disposed of during the year		**–**	(6,510)
		1,192	(5,222)
Cash flow hedges			
Loss on fair value changes on cash flow hedges		**–**	(935)
Reclassification adjustments to profit or loss		**–**	(246)
Reclassification adjustments relating to foreign operations disposed of during the year		**–**	(1,116)
		–	(2,297)
Other comprehensive income for the year		**1,192**	(7,519)
Total comprehensive income for the year		**(46,390)**	(29,729)
Loss per share	16		
From continuing and discontinued operations			
Basic		**HK(1.31) cent**	HK(0.62) cent
From continuing operations			
Basic		**HK(1.31) cent**	HK(0.12) cent

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	17	**5,310**	1,911
Current assets			
Inventories	18	**15,791**	12,626
Trade receivables	19	**8,563**	7,539
Deposits, prepayments and other receivables	20	**12,386**	4,738
Bank balances and cash	21	**63,203**	16,887
		99,943	41,790
Current liabilities			
Trade payables	22	**8,101**	4,157
Other payables and accrued charges	23	**25,975**	26,821
Dividend payable		**7**	11
Tax payable		**84**	–
		34,167	30,989
Net current assets		**65,776**	10,801
Total assets less current liabilities		**71,086**	12,712
Capital and reserves			
Share capital	24	**9,140**	8,965
Reserves		**61,946**	3,747
Equity attributable to owners of the Company		**71,086**	12,712

The consolidated financial statements on pages 28 to 71 were approved and authorised for issue by the Board of Directors on 25 March 2011 and are signed on its behalf by:

WONG LIK PING	**MA CHI SHING**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium account** HK$'000	**Contributed surplus** HK$'000	**Shareholder's contribution** HK$'000	**Share-based compensation reserve** HK$'000	**Translation reserve** HK$'000	**Hedging reserve** HK$'000	**(Accumulated losses)/ retained earnings** HK$'000	**Total** HK$'000
At 1 January 2009	8,965	139,251	34,503	45,000	–	(1,185)	2,297	(51,384)	177,447
Loss for the year	–	–	–	–	–	–	–	(22,210)	(22,210)
Exchange differences arising on translating foreign operations	–	–	–	–	–	1,288	–	–	1,288
Reclassification adjustments relating to foreign operations disposed of during the year	–	–	–	–	–	(6,510)	(1,116)	–	(7,626)
Loss on fair value changes on cash flow hedges	–	–	–	–	–	–	(935)	–	(935)
Reclassification adjustments to profit or loss	–	–	–	–	–	–	(246)	–	(246)
Total comprehensive income for the year	–	–	–	–	–	(5,222)	(2,297)	(22,210)	(29,729)
Share premium reduction (note a)	–	(139,251)	139,251	–	–	–	–	–	–
Transfer (note b)	–	–	(173,754)	(45,000)	–	–	–	218,754	–
Dividends recognised as distribution (note 15)	–	–	–	–	–	–	–	(135,006)	(135,006)
At 31 December 2009	8,965	–	–	–	–	(6,407)	–	10,154	12,712
Loss for the year	–	–	–	–	–	–	–	(47,582)	(47,582)
Exchange differences arising on translating foreign operations	–	–	–	–	–	1,192	–	–	1,192
Total comprehensive income for the year	–	–	–	–	–	1,192	–	(47,582)	(46,390)
Share-based compensation (note d)	–	–	–	–	34,764	–	–	–	34,764
Placing of shares (note c)	175	69,825	–	–	–	–	–	–	70,000
At 31 December 2010	**9,140**	**69,825**	**-**	**-**	**34,764**	**(5,215)**	**-**	**(37,428)**	**71,086**

Notes:

(a) 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 credit 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.

(b) By an ordinary resolution passed at the SGM, the declaration, distribution and payment of special dividends by the Company out of fund legally available therefore 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$45,000,000 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.

(c) On 18 June 2010, the Company entered into a subscription agreement with Sonic Way Limited ("Sonic Way"), pursuant to which Sonic Way has agreed to subscribe and the Company has agreed to allot and issue 70,000,000 shares of HK$0.0025 each in the share capital of the Company at the subscription price of HK$1.00 each. On 25 June 2010, the Company issued and allotted 70,000,000 shares to Sonic Way under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 3 June 2010.

(d) On 15 April 2010, the Company granted 180,000,000 share options to certain of its directors, employees and other eligible participants at the exercise price of HK$1.7 per share with 2 years vesting period. On 21 June 2010, the Company granted 20,000,000 share options to a director at the exercise price of HK$1.7 per share with 2 years vesting period. The fair values of the share options granted in 2010, measured at the date of grant, were approximately HK$99,297,300. As the options vest after two years from the dates of grant, the amounts are recognised as share-based compensation in profit or loss over 2 years from the dates of grant. An amount of HK$34,764,000 has been charged as share-based compensation expense to income statement during the year 2010 (2009:Nil). The corresponding amount has been credited in share-based compensation reserve.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	NOTE	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(47,498)**	(49,264)
Adjustments for:			
Write back of allowance for obsolete inventories		**(2,281)**	(10,190)
Allowance for bad and doubtful debts		**–**	44
Allowance for an amount due from a jointly controlled entity		**–**	12,437
Impairment loss on property, plant and equipment		**–**	10,460
Share-based compensation expense		**34,764**	–
Finance costs		**–**	24
Interest income		**(22)**	(13)
Gain on change in fair value of derivative financial instruments		**–**	(246)
Depreciation of property, plant and equipment		**1,835**	12,566
Amortisation of prepaid lease payments		**–**	478
Loss on disposal of property, plant and equipment		**1**	137
Operating cash flows before movements in working capital		**(13,201)**	(23,567)
(Increase) decrease in inventories		**(884)**	20,652
(Increase) decrease in trade receivables		**(1,024)**	2,379
(Increase) decrease in deposits, prepayments and other receivables		**(7,648)**	6,942
Decrease in amounts due from fellow subsidiaries		**–**	10,952
Increase in trade payables		**3,944**	4,849
(Decrease) increase in other payables and accrued charges		**(846)**	9,289
Proceeds received upon expiry and early termination of financial instruments		**–**	1,362
Cash (used in) generated from operations		**(19,659)**	32,858
Interest received		**22**	13
Overseas income taxes refund		**–**	397
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(19,637)**	33,268
INVESTING ACTIVITIES			
Advance to a jointly controlled entity		**–**	(12,437)
Purchases of property, plant and equipment		**(5,054)**	(5,669)
Net cash inflow from disposal of subsidiaries	26	**–**	112,735
Proceeds from disposal of property, plant and equipment		**1**	187
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(5,053)**	94,816

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES		
Dividend paid	**(4)**	(134,995)
Repayment of trust receipt loans	**–**	(1,149)
Repayment to fellow subsidiaries	**–**	(387)
Proceeds from issue of shares	**70,000**	–
Finance cost paid	**–**	(24)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**69,996**	(136,555)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**45,306**	(8,471)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**16,887**	25,057
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,010**	301
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**63,203**	16,887

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. General

The Company is incorporated in Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company was Golden Bright Energy Limited, a company incorporated in BVI with limited liability. 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 Group is retailing of garments in Taiwan.

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").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners
HK-Int 5	Presentation of financial statements-Classification by the borrower of a term loan that contains a repayment on demand clause

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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

New and revised HKFRSs affecting presentation and disclosure only

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)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures-Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard will not have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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.

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 2010

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods 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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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 2010

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 expense 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies (continued)

Taxation (continued)

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.

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.

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 2010

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, receivables (including trade receivables, deposits and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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 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 and dividend payable are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies (continued)

Financial instruments (continued)

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 2010

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 and accumulated in equity is recognised in profit or loss.

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

Impairment losses on tangible and intangible assets other than goodwill

At 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 2010

3. Significant Accounting Policies (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses/retained profits.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

5. Capital Risk Management

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

The capital structure of the Group consists of debts 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.

6. Financial Instruments

Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**72,624**	25,756
Financial liabilities		
Amortised cost	**29,118**	22,934

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, bank balances and cash, trade payables, other payables and dividend payable. 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 and 2010, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

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 and 2010, the Group did not have any interest bearing financial liabilities.

Credit risk

As at 31 December 2009 and 2010, 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.

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 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 2010

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$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2010 HK$'000
2010				
Non-derivative financial liabilities				
Trade payables	**–**	**8,101**	**8,101**	**8,101**
Other payables	**–**	**21,010**	**21,010**	**21,010**
Dividend payable	**–**	**7**	**7**	**7**
		29,118	**29,118**	**29,118**

	Weighted average effective interest rate %	Less than 3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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.

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

	2010 **HK$'000**	2009 HK$'000
Interest income	**22**	11
Net foreign exchange gain	**345**	77
Others	**189**	236
	556	324

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

9. Segment Information

Information was reported to the directors of the Company, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance. The Group currently has only one segment, i.e. the retailing business.

The segment revenue derived from the continuing operations was HK$94,620,000 (2009: HK$89,593,000) and segment result derived from the continuing operations was loss HK$1,220,000 (2009: profit of HK$2,822,000) (excluding corporate administrative expenses incurred by the Company of HK$46,278,000 (2009: HK$5,231,000)) are shown in the consolidated statement of comprehensive income on page 28.

For the year ended 31 December 2009, the segment revenue derived from the discontinued operations was HK$149,811,000 and segment result derived from the discontinued operations was loss HK$46,855,000 are shown in note 11.

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

Reconciliation of segment assets

	2010 **HK$'000**	2009 HK$'000
Segment assets	**46,314**	42,980
Unallocated assets:		
Property, plant and equipment	**1,154**	80
Deposit, prepayments and other receivables	**590**	557
Bank balances and cash	**57,195**	84
	105,253	43,701

Reconciliation of segment liabilities

	2010 **HK$'000**	2009 HK$'000
Segment liabilities	**32,858**	29,407
Unallocated liabilities:		
Accrued charges for corporate expenses	**1,302**	1,571
Dividend payables	**7**	11
	34,167	30,989

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

9. Segment Information (continued)

Geographical information

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

	2010 **HK$'000**	2009 HK$'000
Taiwan	**94,620**	89,593
Hong Kong and Macau	**–**	18,780
PRC	**–**	128,285
Singapore	**–**	2,746
	94,620	239,404

Other segment information

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

	2010 **HK$'000**	2009 HK$'000
Interest income	**(22)**	(13)
Interest expense	**–**	24
Depreciation of property, plant and equipment	**1,835**	12,566
Amortisation of prepaid lease payment	**–**	478

During the year ended 31 December 2010, additions of HK$5,054,000 (2009: HK$5,669,000) 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 2010, non-current assets of HK$4,156,000 (2009: HK$1,831,000) and HK$1,154,000 (2009: HK$80,000) were located in Taiwan and Hong Kong respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

10. Tax Charge

	2010 HK$'000	2009 HK$'000
Tax charge comprises:		
Current tax charge	**84**	–
Deferred tax (note 25)	**–**	1,795
	84	1,795

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.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions. During the year ended 31 December 2010, the profit tax rate prevailing in Taiwan was reduced from 20% to 17% (2009: 25% to 20%).

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:

	2010 HK$'000	2009 HK$'000
Loss before taxation from continuing operations	**47,498**	2,409
Tax at the applicable tax rate of 17% (2009: 20%)	**8,075**	482
Tax effect of expenses not deductible for tax purpose	**(5,910)**	–
Tax effect of income not taxable for tax purpose	**286**	526
Tax effect of estimated tax losses not recognised	**(2,497)**	(863)
Utilisation of tax losses not previously recognised	**-**	38
Effect of different tax rates of the Company	**(38)**	(183)
Reversal of previously recognised net deductible temporary difference	**–**	(1,795)
Tax charge for the year relating to continuing operations	**(84)**	(1,795)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

11. 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 from the discontinued operations in 2009 is analysed as follows:

	Year ended 31 December 2009 HK$'000
Loss from discontinued operations for the year	(47,330)
Gain on disposal of the Disposal Group (see note 26)	29,324
	(18,006)

The results of the discontinued operations for the period from 1 January 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
Revenue	149,811
Cost of sales	(79,495)
Other income	2,430
Selling and distribution expenses	(57,336)
Administrative expenses	(39,344)
Impairment loss on property, plant and equipment	(10,460)
Allowance for an amount due from a jointly controlled entity	(12,437)
Finance costs	(24)
Loss before tax	(46,855)
Income tax expense	(475)
Loss for the period	(47,330)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

11. Discontinued Operations (continued)

Loss for the period from discontinued operations included the following:

	1 January 2009 to 28 October 2009 HK$'000
Depreciation of property, plant and equipment	10,335
Amortisation of prepaid lease payments	478
Loss on disposal of property, plant and equipment	28
Staff costs	
Salaries and allowances	24,982
Retirement benefits scheme contributions	1,036
	26,018

During the year ended 31 December 2009, the Disposal Group contributed HK$19 million to the Group's net operating cash flows, paid HK$12 million in respect of investing activities and paid HK$2 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 26.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

12. Loss for the Year

Continuing operations

	2010 HK$'000	2009 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses (included write back of allowance for obsolete inventories (note a))	**41,298**	39,944
Depreciation of property, plant and equipment	**1,835**	2,231
Net foreign exchange gain	**(345)**	(77)
Auditor's remuneration	**782**	933
Operating lease rentals in respect of rented premises	**7,555**	5,829
Contingent rents (note b)	**14,551**	12,925
Loss on disposal of property, plant and equipment	**1**	109
Directors' remuneration (note 13)	**10,953**	633
Other staff costs		
Salaries and allowances	**17,011**	14,300
Retirement benefits scheme contributions	**970**	734
	17,981	15,034

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

13. Directors' Remuneration

The emoluments paid or payable to each of the 8 (2009: 12) directors were as follows:

For the year ended 31 December 2010

	Fees HK$'000	Share-based payment HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Wong Lik Ping	–	560	–	–	560
Cheung Wing Hong Shannon	–	1,178	1,551	7	2,736
Ma Chi Shing	–	1,865	1,950	12	3,827
Huang Bin	–	560	850	–	1,410
Qiao Weibing	–	560	–	–	560
Kee Wah Sze	60	560	–	–	620
Chan Pat Lam	60	560	–	–	620
To Yan Ming Edmond	60	560	–	–	620
Total emoluments	180	6,403	4,351	19	10,953

For the year ended 31 December 2009

	Fees HK$'000	Share-based payment HK$'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

Mr. Huang Bin, Mr. Wong Lik Ping, Mr. Lam Foo Wah, Mr. Qiao Weibing and Ms. So Siu Hang, Patricia did not receive remuneration from the Group for the year ended 31 December 2009.

During both years ended 31 December 2009 and 2010, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

14. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2009: one) were directors of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining one (2009: four) individuals were as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and allowances	**715**	1,591
Retirement benefits scheme contributions	**12**	20
	727	1,611

Their emoluments were within the following bands:

	2010 **No. of** **employees**	2009 No. of employees
Nil to HK$1,000,000	**1**	4

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.

15. 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 dividend is recommended by the Directors for the year ended 31 December 2010 (2009: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

16. 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:

	2010 **HK$'000**	2009 HK$'000
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	**(47,582)**	(22,210)

	2010 **'000**	2009 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,622,258**	3,585,820

The calculation of basic loss per share attributable to the owners of the Company for 2009 has been adjusted as a result of the Company's share subdivision (see note 24).

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:

	2010 **HK$'000**	2009 HK$'000
Loss for the year attributable to owners of the Company	**(47,582)**	(22,210)
Less: Loss for the year from discontinued operations	**–**	(18,006)
Loss for the purpose of basic loss per share from continuing operations	**(47,582)**	(4,204)

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

From discontinued operations

For the year ended 31 December 2009, basic loss per share from the discontinued operations is HK0.50 cent per share, based on the loss for the year from the discontinued operations of HK$18,006,000 and the denominators detailed above for basic loss per share.

Diluted loss per share for the year ended 31 December 2010 was not presented as the impact of the exercise of the share options was anti-dilutive.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

17. Property, Plant and Equipment

	Buildings HK$'000	Plant and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2009	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
Additions	–	–	5,054	–	5,054
Disposals	–	(11)	(2,764)	(94)	(2,869)
Exchange realignment	–	4	1,817	16	1,837
At 31 December 2010	**–**	**48**	**22,914**	**194**	**23,156**
DEPRECIATION					
At 1 January 2009	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
Provided for the year	–	12	1,789	34	1,835
Eliminated on disposals	–	(11)	(2,762)	(94)	(2,867)
Exchange realignment	–	4	1,643	8	1,655
At 31 December 2010	**–**	**48**	**17,656**	**142**	**17,846**
CARRYING VALUES					
At 31 December 2010	**–**	**–**	**5,258**	**52**	**5,310**
At 31 December 2009	–	12	1,821	78	1,911

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

17. Property, Plant and Equipment (continued)

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

18. Inventories

	2010 HK$'000	2009 HK$'000
Finished goods	**15,791**	12,626

19. Trade Receivables

	2010 HK$'000	2009 HK$'000
Trade receivables	**8,563**	7,900
Less: Allowance for bad and doubtful debts	**–**	(361)
	8,563	7,539

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 2010

19. Trade Receivables (continued)

The ageing 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:

	2010 HK$'000	2009 HK$'000
Within 90 days	**8,563**	7,527
91 to 180 days	**–**	12
	8,563	7,539

The Group has policy of providing allowance for bad and doubtful debts which is based on the evaluation of collectability 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

	2010 HK$'000	2009 HK$'000
At 1 January	**361**	44,596
Impairment losses recognised on receivables	**–**	44
Amounts written off during the year	**(361)**	(96)
Eliminated on disposal of subsidiaries	**–**	(44,183)
At 31 December	**–**	361

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. The allowance for bad and doubtful debts are provided for trade receivables which have either been placed under liquidation or in severe financial difficulties.

Included in the Group's trade receivables are debtors, with carrying amount of nil (2009: HK$12,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

20. Deposits, Prepayments and Other Receivables

	2010 HK$'000	2009 HK$'000
Deposits and prepayments	**11,528**	3,408
Other receivables	**858**	1,330
Total deposits, prepayments and other receivables	**12,386**	4,738

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

21. Bank Balances and Cash

Bank balances and cash comprise cash and short-term bank deposits held by the Group which carried effective interest at 0.02% (2009: 0.19%) per annum and have an original maturity of three months or less.

22. Trade Payables

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

	2010 HK$'000	2009 HK$'000
Within 90 days	**8,101**	4,157

23. Other Payables and Accrued Charges

	2010 HK$'000	2009 HK$'000
Amount due to a former subsidiary of the Company (note)	**–**	15,559
Deposits receipts from customers and wholesalers	**939**	146
Other payables	**21,010**	3,207
Accrued charges	**4,026**	7,909
	25,975	26,821

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

24. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares		
Authorised:		
At 1 January 2009	50,000,000	500,000
Increase by way of share subdivision (note a)	150,000,000	–
At 31 December 2009 and 2010	**200,000,000**	**500,000**
Issued and fully paid:		
At 1 January 2009	896,455	8,965
Increase by way of share subdivision (note a)	2,689,365	–
At 31 December 2009	3,585,820	8,965
Placing of shares (note b)	70,000	175
At 31 December 2010	**3,655,820**	**9,140**

Notes:

(a) 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.

(b) On 18 June 2010, the Company entered into a subscription agreement with Sonic Way Limited ("Sonic Way"), pursuant to which Sonic Way has agreed to subscribe and the Company has agreed to allot and issue 70,000,000 shares of HK$0.0025 each in the share capital of the Company at the subscription price of HK$1.00 each. On 25 June 2010, the Company issued and allotted 70,000,000 shares to Sonic Way under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 3 June 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

25. 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	Allowance on obsolete inventories	Unrealised exchange losses	Retirement benefits scheme contributions	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	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 and 2010	**–**	**–**	**–**	**–**	**–**	**–**

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$332,375,000 (2009: HK$317,675,000) available for offset against future profits. No deferred tax asset has been recognised as at 31 December 2010 due to unpredictability of future profit streams. The unrecognised tax losses would be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

26. Disposal of Subsidiaries

As referred to in note 11, 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
The net assets of the Disposal Group	113,000
Cumulative exchange gains in respect of the net assets of the subsidiaries reclassified to profit or loss on loss of control of the subsidiaries	(6,510)
Cumulative fair value gain on derivative hedging instruments reclassified to profit or loss on loss of control 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 2010

27. 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.

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 the date of the adoption. The total number of share which may be issued by the Company in respect of options that have been granted or to be granted under the 2009 Scheme must not, in aggregate, exceed 358,581,983 shares, representing approximately 9.8% of the shares in issue as at the date of this annual report. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

27. Share Option Scheme (continued)

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

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

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

The Group has no outstanding options at the beginning of the year.

On 15 April 2010, the Company granted 180,000,000 share options to certain of its directors, employees and other eligible participants at the exercise price of HK$1.70 per share with 2 years vesting period. The closing share price at date of grant on 15 April 2010 was HK$1.63.

On 21 June 2010, the Company granted 20,000,000 share options to a director at the exercise price of HK$1.70 per share with 2 years vesting period. The closing share price at date of grant on 21 June 2010 was HK$1.17.

The fair values of the share options granted in 2010 were determined using the Black-Scholes Option Pricing Model. Significant inputs into the calculation included expected volatilities ranging from 38.74% to 49.43%, estimated weighted average expected life of 3 years, risk-free interest rates ranging from 0.95% to 2.02% and dividend yield of 0%. The Black-Scholes Option Pricing Model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Black-Scholes Option Pricing Model does not necessarily provide a reliable measure of the fair value of the share options.

The fair values of the share options granted in 2010, measured at the date of grant, were approximately HK$99,297,300. As the options vest after two years from the dates of grant, the amounts are recognised as share-based compensation in profit or loss over 2 years from the date of grant. An amount of approximately HK$34,764,000 has been charged as share-based compensation expense to profit or loss during the year (2009: nil). The corresponding amount has been credited in the share-based compensation reserve.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

27. Share Option Scheme (continued)

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

The following table discloses movements in the Company's share options during the year:

Directors	No. of share options granted during the period	No. of shares options exercised during the period	No. of share options outstanding at the end of the period	Grant date and measurement date	Closing price immediately before grant date	Exercise period	Exercise price
Mr. Wong Lik Ping	3,000,000	–	3,000,000	15 April 2010	HK$1.63	15 April 2012-14 April 2020	HK$1.7
Mr. Cheung Wing Hong, Shannon	20,000,000	–	20,000,000	21 June 2010	HK$1.16	21 June 2012-20 June 2020	HK$1.7
Mr. Ma Chi Shing	13,000,000 (Note)	–	13,000,000	15 April 2010	HK$1.63	15 April 2012-14 April 2020	HK$1.7
Mr. Huang Bin	3,000,000	–	3,000,000	15 April 2010	HK$1.63	15 April 2012-14 April 2020	HK$1.7
Mr. Qiao Weibing	3,000,000	–	3,000,000	15 April 2010	HK$1.63	15 April 2012-14 April 2020	HK$1.7
Mr. Kee Wah Sze	3,000,000	–	3,000,000	15 April 2010	HK$1.63	15 April 2012-14 April 2020	HK$1.7
Mr. Chan Pat Lam	3,000,000	–	3,000,000	15 April 2010	HK$1.63	15 April 2012-14 April 2020	HK$1.7
Mr. To Yan Ming, Edmond	3,000,000	–	3,000,000	15 April 2010	HK$1.63	15 April 2012-14 April 2020	HK$1.7
Sub-total	51,000,000	–	51,000,000				
Other Employees	27,000,000	–	27,000,000	15 April 2010	HK$1.63	15 April 2012-14 April 2020	HK$1.7
Others	122,000,000	–	122,000,000	15 April 2010	HK$1.63	15 April 2012-14 April 2020	HK$1.7
Total	200,000,000	–	200,000,000				

Note: 10,000,000 share options were granted to Mr. Ma Chi Shing and 3,000,000 share options were granted to his spouse.

Apart from the 2009 Scheme, during the year ended 31 December 2010, no rights were granted to the directors, chief executives of the Company, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

28. 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:

	2010 **HK$'000**	2009 HK$'000
Within one year	**9,144**	5,714
In the second to fifth year inclusive	**8,001**	3,728
	17,145	9,442

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.

29. 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 contributions were 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.

In 2009, the employees of the subsidiaries in the PRC were members of retirement benefits schemes operated by the PRC governments. The relevant PRC subsidiaries were 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 were 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. After the Disposal on 28 October 2009, the Group has no employees in the PRC subject to the PRC retirement benefits schemes.

During the year ended 31 December 2010, retirement benefit scheme contribution of HK$989,000 (2009: HK$736,000) was charged to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

30. Related Party Transactions

Transactions

(i) Before the completion of Disposal on 28 October 2009, the Group has received subcontracting fee income of HK$19,015,000 from fellow subsidiaries in 2009. Such transaction has not been taken place after 28 October 2009.

(ii) In addition, High Fashion had given guarantees to banks to secure the Company's general banking facilities granted to the Group during ten months ended 28 October 2009. The guarantees has been released after 28 October 2009.

(iii) Details of the remuneration of key management personnel are disclosed in notes 13 and 14.

31. 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 2010 %	2009 %	Principal activities
Access Sino Limited	BVI	US$1	**100**	100	Investment holding
Da Hua Li Company Limited	Taiwan	NTD500,000	**100**	100	Retailing of garments
Taiwan Vision Company Limited	Taiwan	NTD80,000,000	**100**	100	Retailing of garments
Top Board International Limited	BVI	US$100	**100**	–	Investment holding
Allied Power Development Limited	BVI	US$100	**100**	–	Investment holding
Union Genesis Holdings Limited	Hong Kong	HK$1	**100**	–	Dormant
Harvest Wealthy International Limited	Hong Kong	HK$1	**100**	–	Dormant

As at 31 December 2010, except for Access Sino, Allied Power Development and Top Board International which were directly held by the Company, all other subsidiaries listed above were indirectly held by the Company.

None of the 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)*	
Mr. Cheung Wing Hong Shannon	(appointed on 21 June 2010)
Mr. Ma Chi Shing	
Mr. Huang Bin	(redesignated from Executive Director to Non-executive Director on 30 April 2010)

Non-Executive Directors

Mr. Qiao Weibing	
Mr. Huang Bin	(redesignated from Executive Director to Non-executive Director on 30 April 2010)

Independent Non-Executive Directors:

Mr. Kee Wah Sze
Mr. Chan Pat Lam
Mr. To Yan Ming Edmond

Audit Committee

Mr. To Yan Ming Edmond *(Chairman)*
Mr. Kee Wah Sze
Mr. Chan Pat Lam

Remuneration Committee

Mr. To Yan Ming Edmond *(Chairman)*
Mr. Kee Wah Sze
Mr. Chan Pat Lam

Company Secretary

Ms. Ho Pui San Jenny	(appointed on 30 April 2010)
Mr. Ma Chi Shing	(resigned on 30 April 2010)

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
The Hong Kong and Shanghai Banking Corporation Limited

Principal Share Registrar & Transfer Office
HSBC Securities Services (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

Five Years Financial Summary

RESULTS

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note)	(Note)	(Note)
Revenue	**94,620**	89,593	95,110	103,308	124,382
Loss before taxation	**(47,498)**	(2,409)	(4,147)	(12,116)	(2,300)
Tax (charge) credit	**(84)**	(1,795)	(67)	1,210	(1,509)
Loss for the year from continuing operations	**(47,582)**	(4,204)	(4,214)	(10,906)	(3,809)
Loss for the year from discontinued operations	**–**	(18,006)	(28,462)	(14,897)	(2,772)
	(47,582)	(22,210)	(32,676)	(25,803)	(6,581)
Attributable to:					
Owners of the Company	**(47,582)**	(22,210)	(32,676)	(25,803)	(6,581)

ASSETS AND LIABILITIES

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**105,253**	43,701	260,202	305,906	235,766
Total liabilities	**(34,167)**	(30,989)	(82,755)	(101,898)	(184,118)
	71,086	12,712	177,447	204,008	51,648

Note: The presentation of financial information for years of 2006, 2007 and 2008 has been adjusted to reflect the financial results of the continuing operations and discontinued operations.