Theme

Theme International Holdings Limited

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

Annual Report 2013

Contents

Chairman's Statement

During the year of 2013, the global economy continues to grow slowly, the economy of Taiwan as a whole was still lacking power to grow, the financial performance was below our expectation. As a result of slowdown in the domestic demand and fierce price competition, we are suffered from the operating of garment retailing business, the revenue of the Group for the year ended 31 December 2013 was amounted to HK$87,274,000 and was more or less the same as previous year. Benefited by the cost reduction measures of the group, the gross profit margin had increased from 49.7% in 2012 to 56.6% in 2013. The segment result of the Taiwan operation had recorded a loss of HK$7,484,000 for the year ended 31 December 2013 as decreased from a loss of HK$10,931,000 in 2012.

In 2014, the Group will strive to improve the financial performance of the retailing garment business in Taiwan by reviewing, planning and restructuring of the distribution channels and applying the appropriate cost controlling measures. By levering the expertise and experience obtained from running the brand name of "Theme", and having considered the use of the trademark of "Theme" and related intellectual properties in Taiwan region on an exclusive basis which will end on 27 October 2014 and will then change to a non-exclusive basis for a period of five years. Accordingly, the Group will start searching for opportunities to acquire or co-operate with other brand names as well as looking for the upstream and downstream business operations in order to improve the profitability.

On the other hand, in order to cope with the demands from the real estate market and the premium decorative market in Mainland China and providing convenience services to our customers from various locations, the Group established a wholly owned subsidiary on 26 December 2013 and engaged in the production and processing of the new type of building materials. The subsidiary located in Zhongshan City and named 中山市合萬石材科技有限公司, is responsible for the markets of southern China region such as Guangdong Province in China, it will operate its business in parallel with the joint venture company already developed for the markets of northern China region which is principally engaged in the market of premium wedge-shaped synthetic jade stone floor panels and related premium decoration products with the new type of building materials.

The Group will start studying, adapting to the needs and preferences of local customers of different locations in a strategic way, building up the sales network in a more flexible way and dealing with the fierce competition in a more responsive way in order to strengthen the garment retailing business in Taiwan. The Group will also expand the premium decoration products with the new type of building materials business with a more personalised and characteristic design and processing in order to attract the valuable customers in China.

Furthermore, the Group will try its best effort to diversify its business profile and achieve a substantial and sustainable financial growth for the Group to maximise shareholders' value. As mentioned in the announcement published by the Company on 16 March 2014, the Company had signed a Memorandum of Understanding ("MOU") with an American vendor on 11 March 2014 in respect of a proposed acquisition of a company with working interests in certain oil and gas mineral reserves and with the oil service business, the proposed acquisition is under further discussion and expected that it is a valuable business project.

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, 24 March 2014

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. Taiwan Vision Company Ltd. ("TVCL"), a wholly owned subsidiary of the Group, has an exclusive right to use of the trademark of "Theme" and related intellectual properties in Taiwan region (collectively the "Trademark") which will end on 27 October 2014 as stipulated in the licence agreement entered into between TVCL and a third party on 28 October 2009 (the "Licence Agreement"). Pursuant to the Licence Agreement, TVCL has the right for the use of the Trademark on a non-exclusive basis for five years when the expiry of the right for the use of Trademark on an exclusive basis, i.e. from 28 October 2014 to 27 October 2019, the Company will continue TVCL's operation under the Trademark on a non-exclusive basis after 27 October 2014.

As at 31 December 2013, TVCL is in net liabilities and net current liabilities position, including trade payables and other payables due to a supplier, which were overdue or are repayable on demand.

In view of the above, the directors of the Company have carefully considered the future liquidity of the Group including TVCL's future liquidity needs and trading prospects. After discussion with a shareholder of the Company, he agreed to provide financial support to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

As a result, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future and continue in operational existence.

Management Discussion and Analysis

In addition, the Group has established a joint venture company in 2011 with principal business of design, assembling, processing and sales of premium wedge-shaped synthetic jade stone floor panels and related premium decoration products with the new type of building materials to provide services in the northern China region and commenced operation in the second quarter of 2013. In addition, a new subsidiary was established by the Group in December 2013 with the same business targeted to provide services in the southern China region. The plant is currently under construction and is scheduled to commence operation in 2014.

Financial Review

Revenue, loss for the year and loss per share of the Group for the years ended 31 December 2013 and 2012 were summarised as follows:

	Revenue		Loss for the year		Loss per share	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000		
From operations	**87,274**	89,762	**(15,341)**	(43,286)	**HK(0.42) cents**	HK(1.18) cents

The global economy continues to grow slowly. There is no sign for the economy recovery in Taiwan. The revenue was more or loss the same as previous year and has dropped by 2.8% this year. However, the gross profit margin has been increased to 56.6% in 2013 from 49.7% in 2012.

During the year ended 31 December 2013, the joint venture company has commenced its operation and the Group shared the loss of a joint venture of HK$33,000 (2012: HK$9.2 million).

Benefited by the cost reduction measures carried out by the Group and the absence of the share-based compensation expense of HK$14.9 million for the year ended 31 December 2012, the loss of the Group has been reduced to HK$15.3 million for year ended 31 December 2013 from HK$43.3 million for 2012.

The basic loss per share decreased from HK1.18 cents for the year ended 31 December 2012 to HK0.42 cents for the year ended 31 December 2013.

Charges on Assets

As at 31 December 2013, none of the Group's assets was charged or subject to any encumbrance.

Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

Exposure to Fluctuations in Exchange Rates

As at 31 December 2013, 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.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2013, the Group had no bank and other borrowings.

As at 31 December 2013, the current ratio was 1.2. As at 31 December 2013, TVCL is in net liabilities and net current liabilities position, including trade payables and other payables due to a supplier, which were overdue or are repayable on demand.

Due to the reason that a shareholder of the Company has agreed to provide financial support to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future and have sufficient liquidity to meet its operational needs.

Capital Expenditure

The total capital expenditure of the Group for 2013 was approximately HK$3.1 million for addition of furniture, fixtures and other equipment (2012: HK$1.2 million).

As at 31 December 2013, the Group has no material capital expenditure commitments.

Human Resources

As at 31 December 2013, the Group had 7 permanent employees in Hong Kong and 127 permanent 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 pages 66 to 70.

Future Prospect

The Group will strive to improve the financial performance of retailing garment business in Taiwan by reviewing, planning and restructuring the distribution channels and applying the appropriate cost controlling measures, the Group also considered the use of the trademark of "Theme" and related intellectual properties in Taiwan region on an exclusive basis which will end on 27 October 2014 and will then change to a non-exclusive basis for a period of five years. Accordingly, the Group will start searching for opportunities to acquire or co-operate with other brand names as well as looking for the upstream and downstream business operations in order to improve the profitability. Besides, the Group will continue and expand the business of design, assembling, processing and sales of premium wedge-shaped synthetic jade stone floor panels and related premium decoration products with new type of building materials in PRC through the joint venture and the newly set up subsidiary. The Group will try its best effort to diversify its business profile and achieve a substantial and sustainable financial growth for the Group to maximise shareholders' value. As mentioned in the announcement published by the Company on 16 March 2014, the Company had signed a MOU with an American vendor in respect of a proposed acquisition of a company with working interests in certain oil and gas mineral reserves and with the oil service business, the proposed acquisition is under further discussion and expected that it is a valuable business project.

By order of the Board of Directors

Wong Lik Ping
Chairman

Hong Kong, 24 March 2014

Directors' Report

The board of directors ("Board") presents their annual report together with the audited consolidated financial statements for the year ended 31 December 2013.

Principal Activities

The Group's principal activity is engaged in retailing garments through the operation of retail outlets and department store counters in Taiwan. Particulars of the principal activities of the Company's subsidiaries during the year are set out in note 30 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 2013 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 26 to 27.

Dividends

The board of directors does not recommend payment of a dividend for the year ended 31 December 2013 or proposed since the end of the reporting period.

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 2013, 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 on page 28.

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 16 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 consolidated financial statements, is set out on page 76. This summary does not form part of the audited consolidated financial statements.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed 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. Liu Bing (appointed on 25 October 2013)
Mr. Cheung Wing Hong Shannon (resigned on 28 February 2013)
Mr. Ma Chi Shing (resigned on 31 October 2013)

Non-Executive Director:
Mr. Huang Bin

Independent Non-Executive Directors:
Mr. Kee Wah Sze
Mr. Chan Pat Lam
Mr. To Yan Ming Edmond
Mr. Goh Chee Hwee (appointed on 27 September 2013)

Pursuant to bye-law 86(2) of the bye-laws of the Company (the "Bye-laws"), Mr. Liu Bing and Mr. Goh Chee Hwee shall hold office only until the forthcoming general meeting of the Company and being eligible, offer themselves for re-election.

Directors' Report

In accordance with bye-law 87 of the Bye-laws, Mr. Huang Bin will retire from office by rotation and, being eligible, offer himself 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 Rules Governing the Listing of Securities on the Stock Exchange ("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 12 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 14 to 16 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

Under the Share Option Scheme of the Company adopted on 29 December 2009 ("Share Option Scheme"), the Board of the Company may, at its discretion, grant options to eligible employees and directors of the Group to subscribe for shares of the Company. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives for their contributions to the Group.

Details of the Share Option Scheme of the Company are set out in note 25 to the consolidated financial statements.

During the year of 2013, 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' and Chief Executives' Long and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2013, 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 Model Code for Securities Transactions by Directors of Listed Companies (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 and Short Positions in Shares of the Company

Name of director	Capacity	Number of ordinary shares held	Long(L) or Short (S) Position	Approximate percentage of the Company's issued share capital
Mr. Wong Lik Ping	Beneficial Owner	6,750,000	L	0.18%
	Interests of a controlled corporation *(Note)*	2,269,112,096	L	62.07%
		2,269,112,096	S	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.

Directors' Report

(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 25 to the consolidated financial statements.

Save as disclosed above, as at 31 December 2013, the directors, chief executives of the Company nor their associates had or was deemed to have any long positions or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

Substantial Shareholder

Save as disclosed in the section "Directors' and Chief Executives' Long and Short Positions in Shares, Underlying Shares and Debentures", as at 31 December 2013, the following persons had interests in the shares and underlying shares of the Company have been recorded in the register kept by the Company pursuant to Section 336 of SFO:

Long Positions in Shares of the Company

Name	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Kingston Finance Limited	Person having a security interest in shares *(Note)*	2,269,112,096	62.07%
Best Forth Limited	Interest of a controlled corporation *(Note)*	2,269,112,096	62.07%
Ample Cheer Limited	Interest of a controlled corporation *(Note)*	2,269,112,096	62.07%
Mrs. Chu Yuet Wah	Interest of a controlled corporation *(Note)*	2,269,112,896	62.07%

Note: The interest in the shares of the Company was held through Kingston Finance Limited, the entire issued share capital of which was owned by Ample Cheer Limited. The issued capital of Ample Cheer Limited was owned as to 80% by Best Forth Limited, an entity which was beneficially and wholly owned by Mrs. Chu Yuet Wah.

Directors' Report

Retirement Scheme

The Group provides the mandatory provident fund scheme for Hong Kong employees and retirement benefits schemes operated by the Taiwan government for Taiwan employees. Particulars of these retirement schemes are set out in note 27 to 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. Purchases from the largest five suppliers accounted for 81% of the total Group's purchases for the year and purchases from the largest supplier amounted to 68%. None of the directors of the Company or any of their associates or any shareholder (which to the knowledge of the directors of the Company own more than 5% of the Company's share capital) had any interests in the Group's five largest suppliers.

Related Party Transactions

During the year, an aggregate amount of HK$816,000 has been charged by the Company to a related company, which the ultimate controlling shareholder is also the ultimate controlling shareholder of the Company, in relation to sharing of certain administrative services expenses on a cost basis incurred on behalf of the related company. Such transactions were connected transactions exempt from all disclosure and independent shareholders approval requirements under the Listing Rules. The related party transactions entered into by the Group during the year ended 31 December 2013 are disclosed in note 28 to the consolidated financial statements.

Save as disclosed above, the Group has not entered into any other significant related party transactions during the year.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the year ended 31 December 2013.

Directors' Report

Corporate Governance

Save and except for code provisions A.2.1, A.6.7 and E.1.2, the Company has complied with all the code provisions and to certain extent of the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 (the "CG Code") of the Listing Rules throughout the year ended 31 December 2013. Details of the Company's corporate governance report are set out on pages 17 to 23.

Annual General Meeting

It is proposed that the annual general meeting of the Company will be held on 16 May 2014. 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 14 May 2014 to 16 May 2014 (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 13 May 2014.

Auditor

The consolidated financial statements for the year ended 31 December 2013 were audited by Deloitte Touche Tohmatsu. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wong Lik Ping
Chairman

Hong Kong, 24 March 2014

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Wong Lik Ping, aged 53, 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 20 years' experience in trading business and financial industry and has held directorship with various private companies. Mr. Wong is also (i) an executive director, Chairman, member of remuneration committee and chairman of nomination committee of PME Group Limited (Stock Code: 379) and (ii) an executive director and a vice-chairman of Shougang Fushan Resources Group Limited (Stock Code: 639), both companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Wong also holds directorships in the subsidiaries of the Group in Hong Kong and overseas. Mr. Wong is currently as a member of the National Committee of the Chinese People's Political Consultative Conference.

Mr. Liu Bing, aged 41, was appointed as executive director and chief financial officer of the Company in October 2013 and currently as member of the nomination committee of the Company. Mr. Liu graduated from Jimei University with a bachelor degree in 1997 and from Zhejiang University with a master degree in business administration in 2003. He is a member of China Association of Chief Financial Officer ("CACFO") and a professional member of International Financial Management Association ("IFMA"). Mr. Liu had extensive experience in corporate finance and investment of various sectors and had been the senior executive member including the executive president and chief financial officer in various sizable organizations in the PRC.

Non-executive Director

Mr. Huang Bin, aged 53, has been appointed as non-executive director of the Company in 2010. He has almost 23 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.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Mr. Kee Wah Sze, aged 66, was appointed as independent non-executive director of the Company in 2009 and currently as members of the audit committee, remuneration committee and nomination committee of the Company. He is a partner of Messrs. Michael Cheuk, Wong & Kee and is a practicing solicitor in Hong Kong for over 30 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. Mr. Kee also currently serves as an independent non-executive director and members of the audit committee, nomination committee and remuneration committee of Shougang Fushan Resources Group Limited (Stock Code: 639), a company whose shares are listed on the Main Board of the Stock Exchange.

Mr. Chan Pat Lam, aged 66, was appointed as independent non-executive director of the Company in 2009 and currently as members of the audit committee, remuneration committee and nomination 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. Mr. Chan also currently serves as an independent non-executive director and members of the audit committee, nomination committee and remuneration committee of Shougang Fushan Resources Group Limited (Stock Code: 639), a company whose shares are listed on the Main Board of the Stock Exchange.

Mr. To Yan Ming, Edmond, aged 42, was appointed as independent non-executive director of the Company in 2009 and currently as chairman of the audit committee, the remuneration committee and nomination 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, R. C. W. (HK) 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 13 years of experience in auditing, accounting, floatation and taxation matters. Mr. To was appointed as an independent non-executive director and chairmen of the audit committee and remuneration committee of China Vanguard Group Limited (Stock Code: 8156), which shares are listed on the GEM Board of the Stock Exchange. Mr. To is also an independent non-executive director, chairman of the audit committee and members of remuneration and nomination committee of Wai Chun Group Holdings Limited (Stock Code: 1013), an independent non-executive director, member of audit committee, chairman of remuneration committee and nomination committee of China Household Holdings Limited (Stock Code: 692) and an independent non-executive director, member of audit committee of Wai Chun Mining Industry Group Company Limited (Stock Code: 660) (those companies listed on the Main Board of the Stock Exchange).

Biographical Details of Directors and Senior Management

Independent Non-executive Directors (continued)

Mr. Goh Choo Hwee, aged 43, was appointed as independent non-executive director of the Company in September 2013 and currently as members of the audit committee, remuneration committee and nomination committee of the Company. Mr. Goh is a practicing solicitor in Hong Kong and currently a partner of Ma Tang & Co., a law firm in Hong Kong. Mr. Goh was graduated from The University of Hong Kong with Postgraduate Certificate in Laws in 1995 and has over 10 years of experience in PRC-related, corporate and securities practice. Mr. Goh was also appointed as an independent non-executive director, member of audit committee, remuneration committee and nomination committee of PME Group Limited (stock code:379) and an independent non-executive director, chairman of remuneration committee, members of audit committee and nomination committee of Tsui Wah Holdings Limited (stock code: 1314), both companies listed on the Main Board of the Stock Exchange. He was appointed and remain as company secretary of Xinhua News Media Holdings Limited (stock code: 309), a company listed on the Main Board of the Stock Exchange, in December 2013.

Senior Management

Mr. Tu Wen Chen, Arthur, aged 53, joined the Group in 2000, is the general manager of Taiwan Vision Company Limited. He has extensive experience in corporate management and business operation in Taiwan. Prior to joining the Group, he worked as manager of several multinational companies engaging in wholesale and retail businesses.

Corporate Governance Report

(a) Corporate Governance Practices

The Company is committed to maintain a high standard of corporate governance, holding the beliefs of transparency, independence, honesty and accountability, with a view to enhancing investors' confidence. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. Save and except for code provisions A.6.7, E.1.2 and A.2.1 (details of which are set out below), the Company has complied with all the code provisions and to certain extent of the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 (the "CG Code") of the Listing Rules throughout the accounting year ended 31 December 2013.

Under code provision A.6.7 of the CG Code, the independent non-executive directors and non-executive directors should attend general meetings of the Company. Mr. Kee Wah Sze, independent non-executive director and Mr. Huang Bin, non-executive director, were absent from the annual general meeting ("2013 AGM") held on 8 May 2013 due to other business commitments.

Under code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. The Chairman of the Board was unable to attend the 2013 AGM due to business commitments.

Under code provision A.2.1, the role of chairman and chief executive (the "CEO") should be separate and should not be performed by the same individual. Since the resignation of CEO on 28 February 2013, the role of chief executive officer is temporarily handled by the Chairman. However, the Board considers that it is appropriate and in the best interests of the Company at the present stage. The Board believes that Mr. Wong Lik Ping is able to maintain the continuity of the Company's policies and the stability of the Company's operations. The effectiveness of the corporate planning and implementation of corporate strategies and decisions will not be affected. The Board would segregate the roles of the Chairman and CEO when a new candidate is appointed as chief executive officer.

(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 2013.

Corporate Governance Report

(c) Board Composition and Board Practices

The composition of the board of directors of the Company (the "Board") is shown on page 8 of this report. The Board currently comprises seven directors, including two executive directors, one non-executive director and four independent non-executive directors. One of the four 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, the Remuneration Committee and the Nomination 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.

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 2013, the Board held 8 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 19 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, Remuneration Committee and Nomination Committee had held 8, 2, 3 and 3 meetings respectively in 2013.

Corporate Governance Report

(c) Board Composition and Board Practices (continued)

The attendance at the Board and respective Board Committees Meetings and Annual General Meeting held in 2013 are as follows:

Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive directors					
Mr. Wong Lik Ping	5/8	N/A	N/A	N/A	0/1
Mr. Liu Bing (appointed on 25 October 2013)	N/A	N/A	N/A	N/A	N/A
Mr. Cheung Wing Hong Shannon (resigned on 28 February 2013)	N/A	N/A	N/A	N/A	N/A
Mr. Ma Chi Shing (resigned on 31 October 2013)	8/8	N/A	N/A	3/3	1/1
Non-executive Director					
Mr. Huang Bin	0/8	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Kee Wah Sze	8/8	2/2	3/3	3/3	0/1
Mr. Chan Pat Lam	8/8	2/2	3/3	3/3	1/1
Mr. To Yan Ming Edmond	8/8	2/2	3/3	3/3	1/1
Mr. Goh Choo Hwee (appointed on 27 September 2013)	2/2	N/A	1/1	1/1	N/A

(d) Directors' Training

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year of 2013, all Directors have participated in continuous professional development programmes such as external seminars organized by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board.

Corporate Governance Report

(e) Chairman and Chief Executive Officer

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Board acknowledges that the principle of the code provision A.2.1 is to clearly separate the management of the Board from the daily management of the Company so as to ensure balance of power and authority. Since the resignation of Mr. Cheung Wing Hong Shannon as executive director and chief executive officer on 28 February 2013, the Company has no officer with the title of chief executive officer and the role of chief executive officer is temporarily handled by the Chairman until a new candidate is appointed as chief executive officer of the Company. Although this is a deviation from the code provision on A.2.1, the Board considers that this arrangement is appropriate and in the best interests of the Company at the present stage for Mr. Wong Lik Ping to hold both positions as it helps to maintain the continuity of the Company's policies and the stability of the Company's operations. As the Board meets regularly to consider matters relating to business operations of the Company, the Board is of the view that such arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of the corporate planning and implementation of corporate strategies and decisions will not be affected.

(f) Non-executive Directors

Under code provision A.4.1 of the CG Code, non-executive director should be appointed for a specific term, subject to re-election. On 1 January 2014, the Company has entered into service contracts with non-executive directors of the Company for a term of one year. Their directorships of which are all subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

(g) Remuneration Committee

The Company established a remuneration committee ("Remuneration Committee") in 2005 with written terms of reference in accordance with the relevant requirements of the CG Code. The composition of the Remuneration Committee is shown on page 74 of this report. The Remuneration Committee comprises four independent non-executive directors, namely, Mr. To Yan Ming Edmond (Chairman of the Remuneration Committee), Mr. Kee Wah Sze, Mr. Chan Pat Lam and Mr. Goh Choo Hwee. The members' attendance to the Remuneration Committee meeting is listed out on page 19. 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 on the remuneration package of the Directors and senior management. 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 12 to the consolidated financial statements.

Corporate Governance Report

(h) Nomination Committee

The Company established a nomination committee ("Nomination Committee") in 2012 with written terms of reference in compliance with the CG Code. The Nomination Committee comprises of four independent non-executive directors and one executive director, namely Mr. To Yan Ming Edmond (Chairman of the Nomination Committee), Mr. Kee Wah Sze, Mr. Chan Pat Lam, Mr. Goh Choo Hwee and Mr. Liu Bing.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board, make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identify individuals suitably qualified to become Board members, and assess the independence of independent non-executive directors and make recommendations to the Board on the selection of individuals nominated for directorships and succession planning for directors, in particular the chairman and the chief executive.

The Nomination Committee has adopted a board diversity policy (the "Policy") setting out the approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The Nomination Committee will review the Policy, as appropriate, to ensure its continued effectiveness.

(i) Audit Committee

The Company has an Audit Committee which was established in accordance with the requirements of the CG Code 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 monitor integrity of the financial reporting process and internal controls systems of the Group. The Audit Committee is also responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions would lead to any potential material adverse effect on the Company. The Audit Committee comprises four independent non-executive directors, namely Mr. To Yan Ming Edmond (Chairman of the Audit Committee), Mr. Kee Wah Sze, Mr. Chan Pat Lam and Mr. Goh Choo Hwee. The members' attendance to the Audit Committee meeting is listed out on page 19. During the year ended 31 December 2013, 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.

Corporate Governance Report

(j) Auditors' Remuneration

The Company's external auditor is Deloitte Touche Tohmatsu. For the year ended 31 December 2013, the Auditors of the Company and subsidiaries received approximately HK$880,000 for audit service and HK$16,000 for non-audit services. The nature of non-audit services in 2013 is tax services.

(k) 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.

During the Year, the Board reviewed and ensured the internal control process had been properly carried out and adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting were maintained properly. The Board satisfies that, given the size and activities of the Company, adequate internal control systems have been established and considers continuing reviews of internal controls will be undertaken to ensure its adequacy and effectiveness.

(l) Communication with Shareholders

At the 2013 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, Remuneration and Nomination Committees, or in absence of the chairman of such committees, any member from the respective committees, attended the 2013 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.

Corporate Governance Report

(m) Shareholders' Rights

Pursuant to the bye-law 58 of the Bye-laws of the Company, members holding at the date of deposit of the requisition of not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all time have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act 1981.

The shareholders who intend to make enquiries of or obtain information shall give prior written notice to the Company, and the Company shall provide such information as soon as possible. Enquiries with the Board of Directors or the Company may be posted to the principal place of business in Hong Kong of the Company, the address of which is 12/F., Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong, with telephone number: (852) 2891 5666, being available at normal business hours.

(1) Any number of shareholder(s) representing not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the meeting to which requisition relates; or (2) not less than 100 shareholders may, at their expense, provide a written request to the attention of the Company Secretary signed and deposited in accordance with the Bermuda Companies Act 1981.

(n) Investor Relations

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no changes in the Company's constitutional documents during the year ended 31 December 2013.

(o) 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 auditor on the financial statements of the Group are set out in the section headed "Independent Auditor's Report" on pages 24 to 25 of this annual report.

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Theme International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 73, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or

Independent Auditor's Report

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 2013, 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
24 March 2014

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Revenue	7	**87,274**	89,762
Cost of sales		**(37,880)**	(45,133)
Gross profit		**49,394**	44,629
Other income, gain and loss	8	**(263)**	990
Selling and distribution expenses		**(48,506)**	(48,473)
Administrative expenses		**(15,881)**	(31,160)
Share of loss of a joint venture	17	**(33)**	(9,220)
Loss before taxation		**(15,289)**	(43,234)
Income tax expense	10	**(52)**	(52)
Loss for the year attributable to owners of the Company	11	**(15,341)**	(43,286)
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit retirement plans		**178**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**137**	135
Total other comprehensive income		**315**	135
Total comprehensive expense for the year attributable to owners of the Company		**(15,026)**	(43,151)
Loss per share	15		
Basic and diluted		**HK(0.42) cents**	HK(1.18) cents

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**4,209**	4,024
Interest in a joint venture	17	**–**	–
Loan to a joint venture	17	**–**	9,993
		4,209	14,017
Current assets			
Inventories	18	**9,395**	16,178
Trade receivables	19	**7,807**	9,644
Deposits, prepayments and other receivables	20	**4,764**	4,795
Bank balances and cash	21	**29,712**	25,978
		51,678	56,595
Current liabilities			
Trade payables	22	**19,022**	19,726
Other payables and accrued charges	23	**24,439**	23,424
Dividend payable		**7**	7
Tax payable		**26**	36
		43,494	43,193
Net current assets		**8,184**	13,402
Total assets less current liabilities		**12,393**	27,419
Capital and reserves			
Share capital	24	**9,140**	9,140
Reserves		**3,253**	18,279
Equity attributable to owners of the Company		**12,393**	27,419

The consolidated financial statements on pages 26 to 73 were approved and authorised for issue by the Board of Directors on 24 March 2014 and are signed on its behalf by:

WONG LIK PING
DIRECTOR

LIU BING
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company					
	Share capital HK$'000	**Share premium account** HK$'000	**Share-based compensation reserve** HK$'000	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2012	9,140	69,825	84,412	(5,583)	(102,109)	55,685
Loss for the year	–	–	–	–	(43,286)	(43,286)
Exchange differences arising on translating foreign operations	–	–	–	135	–	135
Total comprehensive income (expense) for the year	–	–	–	135	(43,286)	(43,151)
Share-based compensation	–	–	14,885	–	–	14,885
At 31 December 2012	9,140	69,825	99,297	(5,448)	(145,395)	27,419
Loss for the year	–	–	–	–	(15,341)	(15,341)
Other comprehensive income for the year	–	–	–	137	178	315
Total comprehensive income (expense) for the year	–	–	–	137	(15,163)	(15,026)
At 31 December 2013	**9,140**	**69,825**	**99,297**	**(5,311)**	**(160,558)**	**12,393**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(15,289)**	(43,234)
Adjustments for:		
Net (reversal of) provision for allowance for obsolete inventories	**(3,652)**	1,784
Share-based compensation expenses	**–**	14,885
Interest income	**(21)**	(15)
Depreciation of property, plant and equipment	**2,839**	3,259
Share of loss of a joint venture	**33**	9,220
Loss on disposal of property, plant and equipment	**9**	220
Operating cash flows before movements in working capital	**(16,081)**	(13,881)
Decrease (increase) in inventories	**10,435**	(4,517)
Decrease (increase) in trade receivables	**1,837**	(2,033)
Decrease in deposits, prepayments and other receivables	**108**	300
(Decrease) increase in trade payables	**(704)**	7,403
Increase (decrease) in other payables and accrued charges	**1,471**	(2,217)
Cash used in operations	**(2,934)**	(14,945)
Interest received	**21**	15
Overseas income taxes paid	**(62)**	(51)
NET CASH USED IN OPERATING ACTIVITIES	**(2,975)**	(14,981)
INVESTING ACTIVITIES		
Repayment from a joint venture	**9,960**	–
Repayment from a related company	**–**	3,800
Purchase of property, plant and equipment	**(3,131)**	(1,232)
Proceeds from disposal of property, plant and equipment	**4**	2
NET CASH FROM INVESTING ACTIVITIES	**6,833**	2,570
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,858**	(12,411)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**25,978**	38,436
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(124)**	(47)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**29,712**	25,978

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 is Golden Bright Energy Limited, a company incorporated in the British Virgin Islands (the "BVI") with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are retailing of garments. Details of the principal activities of the Company's subsidiaries are set out in note 30. The Company and its subsidiaries are collectively referred to as the "Group".

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

2. Basis of preparation

As at 31 December 2013, the Group's major operating subsidiary (Taiwan Vision Company Ltd. ("TVCL")) is in net liabilities and net current liabilities position, including trade payables of HK$17,622,000 and other payables of HK$16,661,000 due to a supplier, which were overdue or are repayable on demand.

Furthermore, TVCL's exclusive use of the "Theme" trademark and related intellectual properties in Taiwan region (collectively the "Trademark") will end on 27 October 2014 as stipulated in the licence agreement entered into between TVCL and a third party on 28 October 2009 (the "Licence Agreement"). Pursuant to the Licence Agreement, TVCL has the right for the use of the Trademark on a non-exclusive basis for a further five years from 28 October 2014 to 27 October 2019. TVCL's revenue was solely generated from the sale of products under the "Theme" brand. Upon the expiry of the exclusive licence right, TVCL may need to compete with other suppliers to distribute these products in the future.

In view of the above, the directors of the Company have therefore given careful consideration to the future liquidity of the Group including TVCL's future liquidity needs and trading prospects when preparing the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, due to the following reasons:

(i) On 17 March 2014, the Company, TVCL and a supplier entered into a settlement agreement, pursuant to this agreement, the Group agreed to settle TVCL's payables due by three instalments in 2014;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. Basis of preparation (continued)

(ii) A shareholder of the Company has agreed to provide financial support to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future;

(iii) Pursuant to the Licence Agreement, TVCL has the right for the use of the Trademark on a non-exclusive basis for five years upon the expiry of the right for the use of Trademark on an exclusive basis, i.e. from 28 October 2014 to 27 October 2019, the directors of the Company intend to continue the TVCL's operation under the Trademark on a non-exclusive basis after 27 October 2014. In addition, the Group's supply agreement with the supplier of the goods under the Trademark is effective until 27 October 2015, accordingly it is anticipated that the Group shall continue to obtain adequate supply of goods in the foreseeable future; and

(iv) The Group will continue to negotiate with the existing suppliers to ensure a stable supply of goods, identify new suppliers as well as search for opportunities of acquiring other brand names and cooperating with other brands to enhance TVCL's operations.

As a result of the measures described above, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future and continue in operational existence. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and Disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis-the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 Joint Arrangements, HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC)-Int 13 "Jointly controlled entities-Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements-joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements-jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Impact of the application of HKFRS 11 (continued)

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in Crown Age Investment Limited, which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and accounted for using the equity method, accordingly, no material impact on the Group's financial performance and positions for the current and prior years.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures regarding the interest in a joint venture in the consolidated financial statements (please see note 17 for details).

HKAS 19 Employee benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 "Employee benefits" (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

HKAS 19 Employee benefits (as revised in 2011) (continued)

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The application of this new accounting policy has insignificant impact to the Group's profit or loss, other comprehensive income and loss per share for years ended 31 December 2013 and 2012, except a gain of HK$178,000 is recognised in other comprehensive income for the year ended 31 December 2013 upon remeasurement of the net defined benefit asset. Accordingly, the consolidated statement of financial position as at 31 December 2012 and the consolidated statement of profit or loss and other comprehensive income for the year then ended are not restated.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS	Annual improvements to HKFRSs 2010-2012 cycle[4]
Amendments to HKFRS	Annual improvements to HKFRSs 2011-2013 cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
HKFRS 9	Financial instruments[3]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC)-INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies (continued)

Investment in a joint venture (continued)

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies (continued)

Revenue recognition (continued)

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies (continued)

Leasing

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 recognised 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.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies (continued)

Retirement benefit costs and termination benefits

Payments to defined benefit retirement plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated losses and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item selling and distribution expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit retirement plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies (continued)

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 before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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 associated with investments in subsidiaries and interest in joint arrangement, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies (continued)

Taxation (continued)

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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are 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 of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised 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 or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, 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, loans and receivables (including trade receivables, other receivables, loan to a joint venture and bank balances) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be 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 loans and receivables have been affected.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as 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 loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 2013

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade payables, other payables and dividend payable are subsequently measured at amortised cost, using the effective interest method.

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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition (continued)

On derecognition of a financial asset in its entirety, 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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment on assets

At the end of the reporting period, the Group reviews the carrying amounts of its 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. Significant Accounting Policies (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the date of grant and 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 original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve.

When share options are exercised, the amount previously recognised in share-based compensation 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-based compensation reserve will be transferred to accumulated losses.

5. Key Source of Estimation Uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that has a significant risk of causing a material adjustment to the carrying amounts of assets 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. As at 31 December 2013, the carrying amount of inventories is HK$9,395,000 (2012: HK$16,178,000). During the year ended 31 December 2013, net reversal of allowance for obsolete inventories of HK$3,652,000 (2012: net provision for allowance of HK$1,784,000) was recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. Financial Instruments

Categories of financial instruments

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**38,311**	46,526
Financial liabilities		
Amortised cost	**38,530**	38,053

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, loan to a joint venture, bank balances, 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

The Group's major monetary assets and liabilities are denominated in the functional currencies of the respective group entities, except for other payable of HK$16,661,000 (2012: HK$16,597,000) denominated in HK$ of a group entity with New Taiwan Dollar ("TWD") as its functional currency. Other than the other payable as stated above, the directors consider that the Group's exposure to foreign currency exchange risk is insignificant.

Sensitivity analysis

Sensitivity analysis is prepared to demonstrate the effect of foreign exchange differences by 5% change in exchange rate of TWD against HK$ of the respective group entity, assuming all other variables were held constant. 5% is the sensitivity rate used which represents management's assessment of the reasonable possible change in foreign exchange rate. An increase in post-tax loss for the year of approximately HK$833,000 (2012: HK$830,000) will be resulted where TWD weakens 5% against HK$. For a 5% strengthening of TWD, there would be an equal and opposite impact on the loss for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

As at 31 December 2013 and 2012, the Group is exposed to cash flow interest rate risk arising from variable interest bearing bank balances. The directors do not expect there will be a significant interest rate adjustment on bank deposits and in view of the short maturity of the bank deposits, no sensitivity analysis is prepared at the end of the reporting period.

Credit risk

As at 31 December 2013 and 2012, 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 of trade receivables, 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 good reputation.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

	Less than 3 months and total undiscounted cash flows HK$'000	**Carrying amount at 31.12.2013 HK$'000**
2013		
Non-derivative financial liabilities		
Trade payables	**19,022**	**19,022**
Other payables	**19,501**	**19,501**
Dividend payable	**7**	**7**
	38,530	**38,530**

	Less than 3 months and total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012		
Non-derivative financial liabilities		
Trade payables	19,726	19,726
Other payables	18,320	18,320
Dividend payable	7	7
	38,053	38,053

Fair value

The fair value of financial assets and financial liabilities 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7. Revenue

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

8. Other Income, Gain and Loss

	2013 HK$'000	2012 HK$'000
Interest income	21	15
Net foreign exchange (loss) gain	(461)	823
Others	177	152
	(263)	990

9. Segment Information

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

The segment revenue of HK$87,274,000 (2012: HK$89,762,000) represents the consolidated revenue of the Group for the year. The segment loss is reported as HK$7,484,000 (2012: HK$10,931,000) which represented loss before taxation excluding corporate administrative expenses incurred by the Group amounting to HK$7,772,000 (2012: HK$23,083,000) and share of loss of a joint venture of HK$33,000 (2012: HK$9,220,000).

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

Reconciliation of segment assets

	2013 HK$'000	2012 HK$'000
Segment assets	32,231	39,160
Unallocated assets:		
Property, plant and equipment	425	680
Interest in a joint venture	–	–
Loan to a joint venture	–	9,993
Deposits, prepayments and other receivables	508	595
Bank balances and cash	22,723	20,184
	55,887	70,612

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

9. Segment Information (continued)

Reconciliation of segment liabilities

	2013 HK$'000	2012 HK$'000
Segment liabilities	**42,755**	42,456
Unallocated liabilities:		
Accrued charges for corporate expenses	**732**	730
Dividend payable	**7**	7
	43,494	43,193

Revenue was derived from external customers of retailing business located in Taiwan for both years.

Other segment information

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

	2013 HK$'000	2012 HK$'000
Interest income	**(13)**	(15)
Depreciation of property, plant and equipment	**2,584**	2,976

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

	2013 HK$'000	2012 HK$'000
Share of loss of a joint venture	**33**	9,220
Interest in a joint venture	**–**	–
Loan to a joint venture	**10,040**	20,000

During the year ended 31 December 2013, additions of property, plant and equipment of HK$3,131,000 (2012: HK$1,232,000) was made to non-current assets.

As the Group is principally engaged in retailing business, there is no transaction with a single external customer contributed more than 10% of the Group's revenue. As at 31 December 2013, non-current assets (excluding financial instruments) of HK$3,784,000 (2012: HK$3,344,000) and HK$425,000 (2012: HK$680,000) was located in Taiwan and Hong Kong, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

10. Income Tax Expense

	2013 **HK$'000**	2012 HK$'000
Tax charge comprises:		
Current tax charge	**52**	52

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.

The profit tax rate prevailing in Taiwan is 17% for both years.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 **HK$'000**	2012 HK$'000
Loss before taxation	**15,289**	43,234
Tax at the applicable tax rate of 17%	**2,599**	7,350
Tax effect of expenses not deductible for tax purpose	**(5)**	(2,531)
Tax effect of income not taxable for tax purpose	**1**	–
Tax effect of estimated tax losses not recognised	**(2,495)**	(3,319)
Tax effect of share of loss of a joint venture	**(5)**	(1,567)
Others	**(147)**	15
Tax charge for the year	**(52)**	(52)

At the end of the reporting period, the Group has unused tax losses of HK$368,311,000 (2012: HK$353,635,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unused tax losses are losses of HK$30,981,000 (2012: HK$24,048,000) that will expire in 2022 (2012: 2021), other tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

11. Loss for the Year

	2013 HK$'000	2012 HK$'000
Loss for the year has been arrived at after charging:		
Cost of inventories recognised as expenses (included net reversal of allowance of HK$3,652,000 (2012: included net provision for allowance of HK$1,784,000) for obsolete inventories (note a)	**37,880**	45,133
Depreciation of property, plant and equipment	**2,839**	3,259
Auditor's remuneration	**880**	889
Operating lease rentals in respect of rented premises	**9,189**	9,844
Contingent rents (note b)	**12,931**	13,393
Loss on disposal of property, plant and equipment	**9**	220
Directors' remuneration (note 12)	**2,672**	7,382
Other staff costs		
Salaries and allowances	**16,708**	14,450
Retirement benefits scheme contributions	**1,012**	920
Share-based compensation expenses	**–**	2,305
	17,720	17,675

Notes:

(a) Excess obsolete inventory provisions were reversed when the relevant inventories were sold.

(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 2013

12. Directors' Remuneration

The emoluments paid or payable to each of the 9 (2012: 7) directors were as follows:

For the year ended 31 December 2013

	Fees HK$'000	Share-based compensation expenses HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Mr. Wong Lik Ping (chief executive officer)	–	–	–	–	–
Mr. Cheung Wing Hong, Shannon (note 1)	–	–	400	3	403
Mr. Liu Bing (note 2)	–	–	392	4	396
Mr. Ma Chi Shing (note 3)	–	–	1,664	13	1,677
Mr. Huang Bin	–	–	–	–	–
Mr. Kee Wah Sze	60	–	–	–	60
Mr. Chan Pat Lam	60	–	–	–	60
Mr. To Yan Ming Edmond	60	–	–	–	60
Mr. Goh Choo Hwee (note 4)	16	–	–	–	16
Total emoluments	196	–	2,456	20	2,672

For the year ended 31 December 2012

	Fees HK$'000	Share-based compensation expenses HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Mr. Wong Lik Ping	–	230	–	–	230
Mr. Cheung Wing Hong, Shannon (chief executive officer)	–	1,056	2,400	14	3,470
Mr. Ma Chi Shing (note 3)	–	768	1,800	14	2,582
Mr. Huang Bin	–	230	–	–	230
Mr. Kee Wah Sze	60	230	–	–	290
Mr. Chan Pat Lam	60	230	–	–	290
Mr. To Yan Ming Edmond	60	230	–	–	290
Total emoluments	180	2,974	4,200	28	7,382

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

12. Directors' Remuneration (continued)

Notes:

1. Mr. Cheung Wing Hong, Shannon resigned as executive director and chief executive officer of the Company on 28 February 2013. Mr. Wong Lik Ping acted as the chief executive officer after Mr. Cheung Wing Hong, Shannon's resignation.

2. Mr. Liu Bing was appointed as executive director of the Company on 25 October 2013.

3. Mr. Ma Chi Shing resigned as executive director of the Company on 31 October 2013.

4. Mr. Goh Choo Hwee was appointed as non-executive director of the Company on 27 September 2013.

During the years ended 31 December 2013 and 2012, 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.

13. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2012: two) were directors of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining two (2012: three) individuals for the years ended 31 December 2013 and 2012 were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and allowances	**1,363**	2,100
Retirement benefits scheme contributions	**28**	41
Share-based compensation expenses	**–**	1,921
	1,391	4,062

Their emoluments were within the following band:

	2013 No. of employees	2012 No. of employees
Nil to HK$1,000,000	**2**	1
HK$1,500,001 to HK$2,000,000	**–**	2

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. Dividends

No dividend was proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

15. Loss Per Share

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

	2013 HK$'000	2012 HK$'000
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(15,341)**	(43,286)

	2013 '000	2012 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,655,820**	3,655,820

Diluted loss per share does not assume the exercise of the Company's share options as the exercise of the Company's share options would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

16. Property, Plant and Equipment

	Plant and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 January 2012	46	22,343	186	22,575
Additions	–	1,232	–	1,232
Disposals	–	(1,820)	–	(1,820)
Exchange realignment	2	878	8	888
At 31 December 2012	48	22,633	194	22,875
Additions	–	3,131	–	3,131
Disposals	–	(5,606)	–	(5,606)
Exchange realignment	(1)	(573)	(5)	(579)
At 31 December 2013	47	19,585	189	19,821
DEPRECIATION				
At 1 January 2012	46	16,283	155	16,484
Provided for the year	–	3,259	–	3,259
Eliminated on disposals	–	(1,598)	–	(1,598)
Exchange realignment	2	697	7	706
At 31 December 2012	48	18,641	162	18,851
Provided for the year	–	2,839	–	2,839
Eliminated on disposals	–	(5,593)	–	(5,593)
Exchange realignment	(1)	(480)	(4)	(485)
At 31 December 2013	47	15,407	158	15,612
CARRYING VALUES				
At 31 December 2013	**–**	**4,178**	**31**	**4,209**
At 31 December 2012	–	3,992	32	4,024

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:

Plant and equipment	15%
Furniture and fixtures at:	
Shops	Over the lease terms
Sales counters and offices	20%
Office equipment	20%
Motor vehicles	20%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

17. Interest in a Joint Venture/Loan to a Joint Venture

As at 31 December 2013 and 2012, the Group had interest in the following joint venture:

Name of entity	Form of entity	Place/ Country of incorporation	Principal place of operation	Class of shares held	Issued and fully paid share capital 2013 & 2012	Proportion of nominal value of issued ordinary shares held by the Group 2013 & 2012	Proportion of voting power held by the Group 2013 & 2012	Principal activity
Crown Age Investments Limited ("Crown Age")	Incorporated	Hong Kong	Hong Kong	Ordinary share	HK$100	50%	50%	Investment holding

	2013 HK$'000	2012 HK$'000
Cost of investment in a joint venture-unlisted	**–**	–
Share of post-acquisition losses	**–**	–
	–	–
Loan to a joint venture	**10,040**	20,000
Less: Share of post-acquisition losses that are in excess of the cost of the investment	**(10,040)**	(10,007)
	–	9,993

Loan to a joint venture is unsecured, interest-free and with no fixed repayment terms. In substance, the loan is part of the net investment in the joint venture by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

17. Interest in a Joint Venture/Loan to a Joint Venture (continued)

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2013 **HK$'000**	2012 HK$'000
Current assets	**7,153**	11,720
Non-current assets	**813**	546
Current liabilities	**(29,488)**	(32,267)
Non-current liabilities	**(1,665)**	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**2,304**	10,436
Current financial liabilities (excluding trade and other payables and provisions)	**(29,261)**	(31,244)
Non-current financial liabilities	**(1,665)**	–
Revenue	**545**	–
Loss and total comprehensive expense for the year	**(3,186)**	(18,440)

	2013 **HK$'000**	2012 HK$'000
The above loss for the year include the following:		
Depreciation	**134**	184

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

17. Interest in a Joint Venture/Loan to a Joint Venture (continued)

Summarised financial information of the joint venture (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Crown Age recognised in the consolidated financial statements:

	2013 **HK$'000**	2012 HK$'000
Net liabilities	**(23,187)**	(20,001)
Proportion of the Group's ownership interest	**50%**	50%
Carrying amount of the Group's interest	**–**	–
Cumulative share of losses	**(10,040)**	(10,007)

The Group has discontinued recognition of its share of loss in Crown Age, The amount of unrecognised share of results of Crown Age is as follows:

	2013 **HK$'000**	2012 HK$'000
Unrecognised share of loss for the year	**(1,560)**	–
Accumulated unrecognised share of losses	**(1,560)**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

17. Interest in a Joint Venture/Loan to a Joint Venture (continued)

As at 31 December 2013 and 2012, Crown Age had interest in the following wholly owned subsidiary:

Name of entity	Form of entity	Place/ Country of establishment	Principal place of operation	Class of capital held	Fully paid registered capital (note) 2013	Fully paid registered capital (note) 2012	Proportion of nominal value of registered capital held by Crown Age 2013 & 2012	Proportion of voting power held 2013 & 2012	Principal activity
北京珠峰天宮玉石科技發展有限公司 (「北京珠峰」)	Wholly foreign owned enterprise	People's Republic of China (the "PRC")	PRC	Registered capital	**HK$20,000,000**	HK$20,000,000	100%	100%	Production and sales of premium synthetic jade stone products

Note: Total registered capital of 北京珠峰 is reduced from HK$40,000,000 to HK$20,000,000 during the year ended 31 December 2013.

18. Inventories

	2013 **HK$'000**	2012 HK$'000
Finished goods	**9,395**	16,178

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

19. Trade Receivables

	2013 HK$'000	2012 HK$'000
Trade receivables	**7,807**	9,644

Trade receivables from third parties mainly represent receivables from department stores in relation to the collection of sales proceeds from concessionaire sales of merchandise to customers. The average credit period granted to the department stores is 60 days (2012: 60 days).

The following aging analysis of trade receivables, net of allowance for bad and doubtful debts, presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	2013 HK$'000	2012 HK$'000
Within 60 days	**7,807**	9,644

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 debtor.

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 customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts. No allowance for bad and doubtful debts are provided for trade receivables during the year and at the end of the reporting period.

As at 31 December 2013 and 2012, no balances of the Group's trade receivables are past due at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

20. Deposits, Prepayments and other Receivables

	2013 HK$'000	2012 HK$'000
Deposits and prepayments	**3,972**	3,884
Other receivables	**792**	911
	4,764	4,795

Other receivables are unsecured, interest-free and repayable on demand.

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 0.01% (2012: 0.01%) per annum and have an original maturity of three months or less.

22. Trade Payables

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

	2013 HK$'000	2012 HK$'000
Within 90 days	**5,033**	8,846
91 to 180 days	**6,376**	7,711
181 to 360 days	**7,236**	3,169
Over 360 days	**377**	–
	19,022	19,726

23. Other Payables and Accrued Charges

	2013 HK$'000	2012 HK$'000
Accrued charges	**4,011**	4,297
Deposits received from franchises	**927**	807
Other payables	**19,501**	18,320
	24,439	23,424

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For the year ended 31 December 2013

24. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares		
Authorised:		
At 1 January 2012, 31 December 2012 and 2013	200,000,000	500,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 2013	3,655,820	9,140

25. Share Option Scheme

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 anytime. The maximum number of shares issuable under share options to each eligible participant in the 2009 Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

25. Share Option Scheme (continued)

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

The offer of a grant of share options may be accepted within 21 days from the date of the offer with no consideration being payable by the grantee. The share option may be exercised at any time during the option period, which is determinable by the Company's board of directors and will not exceed 10 years from the date of grant of the options.

The exercise price of the share options is determinable by the Company's Board of Directors, but may not be less than the highest 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.

Share options granted in 2010 were determined at fair value using the Black-Scholes Option Pricing Model and were fully vested during the year ended 31 December 2012.

During the year ended 31 December 2012, HK$14,885,000 had been changed as share-based compensation expense in profit or loss.

All share-based compensation was settled in equity. The Group had 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 2013

25. Share Option Scheme (continued)

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

The following tables disclose movements in the Company's share options during both years:

2013

Directors	Outstanding at 1 January 2013	Reclassified during the year	Outstanding at 31 December 2013	Grant date	Exercisable period	Exercise price
Mr. Wong Lik Ping	3,000,000	–	3,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Mr. Cheung Wing Hong, Shannon	20,000,000 (Note 1)	(20,000,000)	–	21 June 2010	21 June 2012 – 20 June 2020	HK$1.7
Mr. Ma Chi Shing	13,000,000 (Note 2)	(13,000,000)	–	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Mr. Huang Bin	3,000,000	–	3,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Mr. Kee Wah Sze	3,000,000	–	3,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Mr. Chan Pat Lam	3,000,000	–	3,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Mr. To Yan Ming, Edmond	3,000,000	–	3,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Sub-total	48,000,000	(33,000,000)	15,000,000			
Other employees	30,000,000	(14,500,000) (Note 3)	15,500,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Others	122,000,000	27,500,000	149,500,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Others	–	20,000,000	20,000,000	21 June 2010	21 June 2012 – 20 June 2020	HK$1.7
Total	200,000,000	–	200,000,000			

Notes to the Consolidated Financial Statements

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25. Share Option Scheme (continued)

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

2012

Directors	Outstanding at 1 January 2012 and 31 December 2012	Grant date	Exercisable period	Exercise price
Mr. Wong Lik Ping	3,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Mr. Cheung Wing Hong, Shannon	20,000,000	21 June 2010	21 June 2012 – 20 June 2020	HK$1.7
Mr. Ma Chi Shing	13,000,000 (Note 2)	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Mr. Huang Bin	3,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Mr. Kee Wah Sze	3,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Mr. Chan Pat Lam	3,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Mr. To Yan Ming, Edmond	3,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Sub-total	48,000,000			
Other employees	30,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Others	122,000,000	15 April 2010	15 April 2012 – 14 April 2020	HK$1.7
Total	200,000,000			

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25. Share Option Scheme (continued)

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

Notes:

1. Mr. Cheung Wing Hong, Shannon resigned as executive director on 28 February 2013. In accordance with the 2009 Scheme, the respective share options are exercisable within 18 months from his resignation.

2. 10,000,000 shares options were granted to Mr. Ma Chi Shing and 3,000,000 share options were granted to his spouse. Mr. Ma Chi Sing resigned as executive director on 31 October 2013. In accordance with the 2009 Scheme, the respective share options are exercisable within 18 months from his resignation.

3. Some employees resigned during the year ended 31 December 2013. In accordance with the 2009 Scheme, the respective share options are exercisable within 18 months from their resignation.

No share option was exercised, granted, cancelled or lapsed under the 2009 Scheme during the years ended 31 December 2013 and 2012.

Apart from the 2009 Scheme, during the years ended 31 December 2013 and 2012, 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.

26. 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:

	2013 **HK$'000**	2012 HK$'000
Within one year	**10,083**	8,372
In the second to fifth year inclusive	**13,997**	8,847
Over five years	**141**	–
	24,221	17,219

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 contingent rental based on certain percentage of the gross sales of the relevant shops.

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27. Retirement Benefits Schemes

The Group operates a mandatory provident fund scheme (the "MPF Scheme") and the ROC Labour Pension Act (the "New System") for all qualifying employees of the Group in Hong Kong and Taiwan, respectively. The assets of the MPF Scheme and the New System 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. During the year ended 31 December 2013, retirement benefit scheme contribution of HK$1,032,000 (2012: HK$948,000) was charged to profit or loss as incurred.

The Group has defined benefit retirement plans for certain Taiwan employees. Under the defined benefit retirement plans, the calculation of the retirement benefits to the employees is based on years of services and average monthly salary at the time of retirement. The Group's contributions to the defined benefit retirement plans are calculated as certain percentages of salaries paid to employees and charged to profit or loss as incurred. The assets of the plans are held separately from those of the Group in a central fund administered by the relevant government body in Taiwan. During the year ended 31 December 2013, remeasurement of the net defined benefit asset of HK$178,000 (2012: nil) is included in other comprehensive income.

28. Related Party Transactions

During the year ended 31 December 2013, the Group has been reimbursed of administrative expenses of HK$816,000 (2012: HK$4,730,000) from a related company on a cost basis, of which a shareholder of the Company is also the ultimate controlling shareholder of this related company.

Details of the remuneration of key management personnel are disclosed in note 12.

29. 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 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.

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30. 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 Company 2013 %	2012 %	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**	100	Investment holding
Allied Power Development Limited	BVI	US$100	**100**	100	Investment holding
Theme Technology Investment Limited	Hong Kong	HK$100	**100**	100	Dormant
Harvest Wealthy International Limited	Hong Kong	HK$100	**100**	100	Dormant
Billion Team Investments Limited	BVI	US$100	**100**	100	Investment holding
China Sciences New Energy Investment Limited (Being dissolved on 15 March 2013)	Hong Kong	HK$10,000	**–**	100	Dissolved
China Sciences Medical Technology Investment Limited (Being dissolved on 15 March 2013)	Hong Kong	HK$10,000	**–**	100	Dissolved
City Code Investments Limited (Newly set up on 28 August 2013)	Hong Kong	HK$10,000	**100**	–	Investment holding
中山市合萬石材科技有限公司(「中山合萬」) (Newly set up on 26 December 2013)	PRC	US$1,000,000 (Note)	**100**	–	Not yet commenced business

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

30. Particulars of Subsidiaries of the Company (continued)

As at 31 December 2013 and 2012, except for Billion Team Investments Limited, Access Sino Limited, Allied Power Development Limited and Top Board International Limited 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 both years or at the end of the reporting period.

Note: Total registered capital of 中山合萬 is US$1,000,000 which is fully paid in January 2014.

31. Events Subsequent to the end of the Reporting Period

(1) Reference is made to the announcement of the Company dated 16 March 2014 (the “Announcement”), the Company entered into a non-legally binding Memorandum of Understanding on 11 March 2014 (the “MOU”) with Everest Hill Group Inc. (“Vendor”) to acquire the entire issued share capital of Everest Hill Energy Group Ltd. (the “Target Company”) at a purchase price of not more than US$1.0 billion equivalent (equivalent to approximately HK$7.76 billion), with (1) US$250 million (equivalent to approximately HK$1.94 billion) in cash from the placing of the new shares of the Company to placees at an issue price to be determined by the Company and the placing agent with reference to the then market price of the shares of the Company at the time when the placing agreement is signed; and (2) new shares in an amount equal to US$750 million (equivalent to approximately HK$5.82 billion). The Target Company through its subsidiaries is (i) engaged in offshore oilfield services in the West Africa region; and (ii) has rights, subject to appropriate regulatory approvals, to a 50% working interest in certain oil and gas reserves in the Bolivar Contract Area located in Columbia. No payment is required to be made by the Company upon the signing of the MOU.

If the proposed transaction materialises, it may result in a change in control of the Company as the consideration will be satisfied partially by cash and partially by the issue of the new shares and may constitute a very substantial acquisition and reverse takeover, and is expected to be deemed as a new listing application under the Rules Governing the Listing of Securities on the Stock Exchange. Moreover, as a result of the possible change in control of the Company, the Vendor would be required to make a mandatory offer to the shareholders of the Company in accordance with Hong Kong Code on Takeovers and Mergers.

As at the date of approval of these consolidated financial statements by the board of directors of the Company, the proposed transaction is still subject to further negotiations between the Company and the Vendor, has yet to be finalised and may deviate from that set out in the MOU. Details of the MOU are set out in the Announcement.

(2) On 17 March 2014, the Company, TVCL and a supplier entered into a settlement agreement, pursuant to this agreement, the Group agreed to settle TVCL’s payables due by three instalments in 2014.

Corporate Information

Directors

Executive Directors

Mr. Wong Lik Ping *(Chairman)*

Mr. Liu Bing (appointed on 25 October 2013)

Mr. Cheung Wing Hong Shannon (resigned on 28 February 2013)

Mr. Ma Chi Shing (resigned on 31 October 2013)

Non-Executive Director

Mr. Huang Bin

Independent Non-Executive Directors

Mr. Kee Wah Sze

Mr. Chan Pat Lam

Mr. To Yan Ming Edmond

Mr. Goh Chee Hwee (appointed on 27 September 2013)

Audit Committee

Mr. To Yan Ming Edmond *(Chairman)*

Mr. Kee Wah Sze

Mr. Chan Pat Lam

Mr. Goh Chee Hwee (appointed on 27 September 2013)

Remuneration Committee

Mr. To Yan Ming Edmond *(Chairman)*

Mr. Kee Wah Sze

Mr. Chan Pat Lam

Mr. Goh Chee Hwee (appointed on 27 September 2013)

Nomination Committee

Mr. To Yan Ming Edmond *(Chairman)*

Mr. Kee Wah Sze

Mr. Chan Pat Lam

Mr. Goh Choo Hwee (appointed on 27 September 2013)

Mr. Liu Bing (appointed on 31 October 2013)

Mr. Ma Chi Shing (resigned on 31 October 2013)

Corporate Information

Company Secretary

Mr. Fong Chi Wing (appointed on 25 April 2013)
Ms. Ho Pui San Jenny (resigned on 25 April 2013)

Auditor

Deloitte Touche Tohmatsu

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

Codan Services Limited
Clarendon House,
Hamilton HM11
Bermuda

Sub-Registrar & Transfer Agent in Hong Kong

Computershare Hong Kong Investor Services Limited
Rooms 1712-16, 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				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**87,274**	89,762	99,730	94,620	89,593
Loss before taxation	**(15,289)**	(43,234)	(64,602)	(47,498)	(2,409)
Tax charge	**(52)**	(52)	(79)	(84)	(1,795)
Loss for the year from continuing operations	**(15,341)**	(43,286)	(64,681)	(47,582)	(4,204)
Loss for the year from discontinued operations	**–**	–	–	–	(18,006)
	(15,341)	(43,286)	(64,681)	(47,582)	(22,210)
Attributable to:					
Owners of the Company	**(15,341)**	(43,286)	(64,681)	(47,582)	(22,210)

ASSETS AND LIABILITIES

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**55,887**	70,612	93,691	105,253	43,701
Total liabilities	**(43,494)**	(43,193)	(38,006)	(34,167)	(30,989)
	12,393	27,419	55,685	71,086	12,712