TIME INFRASTRUCTURE HOLDINGS LIMITED
太益控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 686

Annual Report 2009

GAY GIANO INTERNATIONAL

30th anniversary

Contents

Corporate Information

Head office and principal place of business

Suites 701-702, Grandtech Centre
8 On Ping Street
Siu Lek Yuen
Shatin, N.T.
Hong Kong

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Directors

Executive:

Mr. Wong Pak Lam, Louis *(Chairman)*
Ms. Lin Xia Yang *(Chief Executive Officer)*
Mr. Wong Kwong Lung, Terence
Mr. Lam Ho Fai
Mr. Gu Zhi Hao

Independent non-executive:

Mr. Chan Ka Ling, Edmond
Mr. Lo Wa Kei, Roy
Mr. Ching Kwok Ho, Samuel

Company secretary

Mr. Leung Yuk Lun, Eric

Auditors

BDO Limited
25th Floor Wing On Centre
111 Connaught Road Central,
Hong Kong

Solicitors

Bermuda:

Conyers, Dill & Pearman

Principal share registrar and transfer office in Bermuda

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Branch share registrar and transfer office in Hong Kong

Union Registrars Limited
18/F. Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited
Wing Hang Bank, Limited

Website

www.gaygiano.com

Business Review

Year 2009 was a year of enormous challenge as global economies remained resilient in countering the global financial tsunami and the ensuing global recession. Amid market uncertainties, the retail operating environment in Hong Kong remained volatile. In addition to the turbulence caused by the global financial crisis, Hong Kong also experienced the threat of human swine flu in the first half of the year. Local consumer spending was severely depressed by falling household wealth and rising unemployment. The Group's core fashion apparel retail business continued to face keen competition. However, there showed signs of recovery in the second half of the year, such as rally in stock market, surge in property prices, return in consumer sentiment and decrease in unemployment rate.

During the year ended 31 December 2009, the Group has retained its well established retail network in Hong Kong with a total of 15 retail outlets located at prime shopping areas in Hong Kong. In order to perfect the retail network of the Group, a total of three new retail outlets were opened, one in Causeway Bay and two in Tsimshatsui, while less profitable shops in Kowloon Bay, Tseung Kwan O and Mongkok were closed during the year. Additional resources were being allocated to marketing, advertising and promotional activities to secure the brand equity of the Group, namely "Gay Giano" and "Cour Carré".

During the year ended 31 December 2009, the Group's revenue was primarily generated from its fashion apparel retail business. The Group recorded a turnover of approximately HK$97.5 million for the year under review (for the nine months ended 31 December 2008: HK$80.7 million). In the first half of the year, the Group's business was severely hit by the notable contraction of economic condition in Hong Kong, but revenue returned progressively in the fourth quarter of the year, marked by recovery in consumer confidence, improvement in labour market conditions and better economic outlook.

The Group's gross profit for the year ended 31 December 2009 was approximately HK$61.9 million, with a gross profit margin of approximately 64% (for the nine months ended 31 December 2008: gross profit of approximately HK$45.6 million, with a gross profit margin of approximately 57%). Consolidated net loss of the Group for the year ended 31 December 2009 amounted to approximately HK$24.4 million (for the nine months ended 31 December 2008: HK$33.3 million). The net loss was mainly due to slow recovery in turnover amid market uncertainties, continuous keen competition of fashion apparel retail market in Hong Kong and high operating costs during the year under review.

On 26 September 2008, the Group entered into an option agreement with independent third parties as the grantors, pursuant to which the Group paid a refundable deposit (the "Refundable Deposit") to the grantors and was granted the option (the "Option") to acquire 75% equity interests in two PRC entities that are principally engaging in toll road business. On 31 July 2009, the Board announced that it decided not to exercise the Option because the Group noticed that the progress of construction of the highways had been deferred. The Company further announced on 11 September 2009 that Yield Long Limited ("Yield Long"), a wholly-owned subsidiary of the Company and one of the grantors (the "Borrower") entered into a loan agreement pursuant to which, Yield Long agreed to lend an interest bearing loan (the "Loan"), the amount of which is equivalent to that of the Refundable Deposit, to the Borrower. The purpose of the Loan is used by the Borrower exclusively for the repayment of the Refundable Deposit. The Loan will be due and become payable to the Group on 18 April 2010.

On 1 April 2010, the Group was informed by the Borrower that the underlying value of the security to the Loan was in doubt and hence, may cast doubt as to the sufficiency of the security to the Loan and may lead to concerns about collectability of the Loan. As at the date of this report, the Company is still in the process of obtaining further information and seeking legal advice in relation to the repayment of the Loan. In order to indemnify Yield Long against losses in respect of the outstanding Loan and relevant interest, on 22 April 2010, the controlling shareholder of the Company, namely Mr. Wong Pak Lam, Louis ("Mr. Wong"), has executed a deed of indemnity in favour of Yield Long, provided that the total and maximum liability of Mr. Wong under such deed of indemnity shall not exceed HK$14,000,000.

On 16 April 2010, the Company entered into a subscription agreement with a company which is beneficial owned by a minority shareholder of the Company (as the subscriber) pursuant to which the Company has conditionally agreed to issue and the subscriber has conditionally agreed to subscribe for convertible debentures for a maximum amount of HK$25,000,000 upon serving of written draw-down notice(s) by the Company in order to provide the Group with flexibility in strengthening its working capital. On 22 April 2010, convertible debentures in a principal amount of HK$10,000,000 were issued by the Company to the subscriber pursuant to the terms and conditions of the subscription agreement.

Prospect

Although merchandise trade, including the Group's core fashion apparel retail business, was the most severely hit segment and the key drag on the economy for most of the year, improvement emerged towards the end of 2009. We expect global recovery process to continue in 2010. However, the pace of recovery is likely to be uneven and also varies across regions. China took the lead in the global economic recovery process. With the gradual recovery of market sentiment and the continued growth in disposable income of the PRC consumers, the Group will continue its strategies to seek strategic partners with solid experience in brand building to develop "Gay Giano" and "Cour Carré" brands in the PRC market and identify further business development opportunities as they arise. Since the two brands of the Group mainly target middle class white-collar employees who wish to project a professional and upbeat image, the banking, insurance, finance, securities, properties and other commercial segments in the PRC will translate into thriving demand for stylish, business-project apparel products like the Group's. Regarding the Hong Kong market, the Group will continue to maintain its retail network and locate its retail outlets cautiously at prime shopping areas with high pedestrian traffic and reasonable rental.

Since the Group's business depends, in part, on the ability to shape, stimulate and anticipate consumer demand by producing fashionable and functional products, the Group has a dedicated product team to exploit fashions and launch new categories so as to be more responsive to fashion and consumer needs and respond more efficiently to changing circumstances. Additional resources will also be devoted to marketing and promotional strategies to upgrade the Group's brand image with a brighter and more modern concept and increase the consumer's awareness of the names of the Group's two brands. Besides, the Group will continue to refine its sourcing strategy on the selection of suppliers in order to maintain and enhance the product quality, and to better control the related costs.

Although the external environment is the main determining factor to the Group's financial results, the Group continues its effort to invest in both brand and business – including retail outlets, product development, people and infrastructure. The Group remains confident that it possesses the brand, strategy and management team to continue to be prosper in the years ahead and aims to maximize the returns to its shareholders.

Wong Pak Lam, Louis
Chairman

Hong Kong
23 April 2010

Administrative expenses

Administrative expenses for the year ended 31 December 2009 was approximately HK$46.3 million (for the nine months ended 31 December 2008: HK$42.9 million). Share based payment expenses of HK$1.32 million (no share based payment expenses for the nine months ended 31 December 2008) was recorded during the year under review. The legal and professional fees decreased from HK$8.3 million to HK$0.8 million for the year ended 31 December 2009, as compared with the nine months ended 31 December 2008.

Liquidity and financial resources

As at 31 December 2009, net current assets and current ratio of the Group were approximately HK$20.3 million (31 December 2008: HK$16.9 million) and 1.52 (31 December 2008: 2.2) respectively. The current assets mainly comprised inventories of approximately HK$23.9 million (31 December 2008: HK$23.3 million), deposits and prepayments of approximately HK$1.8 million (31 December 2008: HK$0.8 million), trade receivable of approximately HK$0.8 million (31 December 2008: HK$0.1 million) and bank balances and cash of approximately HK$3.0 million (31 December 2008: HK$4.9 million). The Group had total assets of approximately HK$78.1 million (31 December 2008: HK$76.8 million), current liabilities of approximately HK$39.1 million (31 December 2008: HK$13.8 million), non-current liabilities of approximately HK$2.1 million (31 December 2008: HK$2.9 million) and shareholders' equity of approximately HK$36.8 million (31 December 2008: HK$60.0 million).

The overall gearing ratio for the year increased to 29.5% (31 December 2008: 3.0%) with total borrowings of approximately HK$23 million (31 December 2008: HK$2.3 million) and total assets of approximately HK$78.1 million (31 December 2008: HK$76.8 million) as at 31 December 2009. Overall gearing ratio is defined as total borrowings over total assets.

The Group recorded a net cash outflow from operating activities of approximately HK$21 million (for the nine months ended 31 December 2008: HK$23 million) for the year ended 31 December 2009. With regard to the financing activities, the Group repaid an aggregate of secured bank and other loans of HK$8.2 million (for the nine months ended 31 December 2008: HK$17.8 million) and obtained new secured bank borrowings of an aggregate of HK$8.4 million (for the nine months ended 31 December 2008: HK$12.3 million) during the year under review.

Treasury policies

The Group generally finances its operations with internally generated cash flows and loan facilities provided by banks and financial institutions in Hong Kong. As at 31 December 2009, the total outstanding short-term borrowings stood at approximately HK$2.2 million (31 December 2008: HK$2.1 million). The Group's borrowing methods mainly included bank loans and other loans from financial institutions. The interest rates of most of these loans were mainly determined by reference to the Hong Kong Dollar prime rate. The Group had no interest rate hedging arrangement during the year under review.

Capital expenditure and commitments

Capital expenditures amounted to approximately HK$1.9 million (for the nine months ended 31 December 2008: HK$0.5 million) for the year ended 31 December 2009. These expenditures were mainly used for the improvement of the Group's retail network. There was no capital commitment of the Group as at 31 December 2009 (31 December 2008: nil).

Investment property

The Group's investment property, located at Flat B on 11th Floor of Block 8, Wonderland Villas, 9 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong was valued at approximately HK$7.1 million (31 December 2008: HK$5.3 million) as at 31 December 2009 by RHL Appraisal Limited on an open market, existing use basis. Such valuation gave rise to a revaluation gain of HK$1.8 million which was credited to the consolidated statement of comprehensive income (31 December 2008: HK$0.7 million was debited to the consolidated statement of comprehensive income). The Group's investment property was leased out under operating leases.

As at 31 December 2009, the Group leases 15 (for the nine months ended 31 December 2008: 15) retail outlets from independent third parties with a total floor area of 22,526 sq.ft. (for the nine months ended 31 December 2008: 24,947 sq.ft) in Hong Kong. The Group also leases certain units at Siu Lek Yuen, Shatin, New Territories, Hong Kong as warehouse and office space.

The Group also leases certain properties in Shediju, Shenzhen, PRC for its production facilities and dormitories.

Pledge of assets and contingent liabilities

As at 31 December 2009, the Group pledged its investment property with a carrying value of HK$7.1 million (31 December 2008: HK$5.3 million). As at 31 December 2009, the Group had no significant contingent liability (31 December 2008: Nil).

Capital structure

As at 31 December 2009, the Company's total number of issued shares was 248,840,000 (31 December 2008: 248,840,000).

Segment information

Reportable segments

The Group operates, through its subsidiaries, in fashion retailing business in Hong Kong. The Group has a subsidiary, which principally engaged in manufacturing of fashion apparel for the Group, located in PRC with inter-segment revenue of approximately HK$23.3 million (for the nine months ended 31 December 2008: HK$18.9 million), and segment assets of approximately HK$6 million (2008: HK$7.1 million) and segment liabilities of approximately HK$1.2 million (31 December 2008: HK$0.7 million), respectively. Except for the "Payment for acquisition of toll road entities" of approximately HK$28.2 million in 31 December 2008 and "Other loan receivable" of HK$28.2 million in current year as set out in note 18 and note 21 to the financial statements in the report, respectively, all other assets and liabilities are attributable to the Group's fashion retailing business.

Information about major customers

The Group's revenue from external customers is principally derived from its fashion retailing business in Hong Kong. The Group's customer base is diversified to numerous individual customers without concentration of reliance.

Employees and remuneration policies

As at 31 December 2009, the Group had 179 (31 December 2008: 169) full-time employees in Hong Kong and 218 (31 December 2008: 225) full-time employees in the PRC. The total number of full-time employees of the Group was 397 (31 December 2008: 394). The Group has a share option scheme for the benefits of the directors and eligible employees of the members of the Group.

Foreign exchange exposure

Most of the transactions of the Group are conducted in Hong Kong dollars and Euro. Although Euro in general appreciated during the year under review, the Group did not resort to any currency hedging facility for the year, as the Board had been of the view that the cost of any hedging facility would be higher than the potential risk of the costs incurred as a result of currency fluctuation. However, the management will monitor the Group's foreign exchange exposure and consider hedging significant foreign currency exposure should the need arises.

Material acquisitions and disposals of subsidiaries and associated companies

There were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2009.

Executive Directors

Mr. Wong Pak Lam, Louis, aged 31, is the Chairman and the Executive Director of the Company and has joined the Group since August 2007. Mr. Wong completed the law study programme at the Southwest University of Political Science and Law in the PRC in 2001. Being the deputy managing director of Guangdong Liantai Group, he is responsible for the entire group's various investment projects. Mr. Wong is experienced in exploring opportunities for business development in the PRC. He is a member of the Chinese People's Political Consultative Conference Shenzhen Committee.

Ms. Lin Xia Yang, aged 50, is the Chief Executive Officer and the Executive Director of the Company. Ms. Lin has joined the Group in October 2008 and is responsible for the Group's overall strategic planning. Ms. Lin has studied in South China Normal University, Sun Yat-sen University and Hong Kong Baptist University since 1978 and obtained a Bachelor of Philosophy and a Master of Business Administration. Ms. Lin had served one administrative division of China as the deputy director of policy research and administrative committee office, the deputy director of economic committee office and the chairman of a state-owned assets management company. Since 2004, Ms. Lin has served as the chairman and general manager of Guangdong Kaili Tianren Investment Co., Ltd. Ms. Lin has 20 years of extensive experience in corporate management, merger and acquisition, assets management and restructuring.

Mr. Wong Kwong Lung, Terence, aged 47, is the Executive Director of the Company since August 2007. He is responsible for Group's strategic development projects. He has over 17 years of experience in property development and investment in Hong Kong and the PRC.

Mr. Lam Ho Fai, aged 54, is the Executive Director of the Company. Mr. Lam has over 20 years experience in treasury management in the banking industry and 7 years of corporate finance experience. Prior to joining the Company in July 2008, he had served as the chief financial officer of a U.S. listed company. Mr. Lam holds an honored degree in Bachelor of Commerce with a major in Business Administration from the University of Windsor, Canada and is the member of the Hong Kong Securities Institute. Mr. Lam is responsible for the Group's various investment projects.

Mr. Gu Zhi Hao, aged 44, is the Executive Director of the Company and has joined the Group since February 2009. He is responsible for the Group's overall financial strategies. He graduated from Shanghai Jiao Tong University with a Bachelor degree of Engineering and a Master degree of Management Engineering. Mr. Gu has 17 years of extensive experience in investment banking, venture capital and private equity investment. He served as the deputy managing director of Shanghai Industrial Capital Management Company Limited, and currently, he is the director of Guangdong Kaili Tianren Investment Co., Ltd.

Independent Non-Executive Directors

Mr. Chan Ka Ling, Edmond, aged 51, is an Independent Non-Executive Director of the Company. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (Practising). He has been practicing as a certified public accountant in Hong Kong for 20 years and is a partner in Chan and Chan, CPA. He is currently an independent non-executive director of Tack Hsin Holdings Limited, listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Lo Wa Kei, Roy, aged 38, is an Independent Non-Executive Director of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practicing), a fellow member of the Association of Chartered Certified Accountants, a fellow member of the CPA Australia and a member of the Hong Kong Securities Institute. He is also a member of the Institute of Chartered Accountants in England and Wales. He has over 16 years of experience in auditing, accounting and finance. He is currently an independent non-executive director of Sun Hing Vision Group Holdings Limited, North Mining Shares Company Limited and China Zhongwang Holdings Limited, all companies are listed on the Main Board of the Stock Exchange.

Mr. Ching Kwok Ho, Samuel, aged 52, is an Independent Non-Executive Director of the Company. He is a practising solicitor in Hong Kong. He graduated from the University of Hong Kong with a degree in Bachelor of Laws and a Postgraduate Certificate in Laws. Mr. Ching is currently a partner in King & Company in Hong Kong. He has over 23 years of legal experience in banking and finance, liquidation, tenancy, conveyancing, commercial disputes and civil litigation in Hong Kong.

Senior Management

Mr. Leung Yuk Lun Eric, aged 43, has over 21 years experience in auditing, accounting and finance fields. He joined the Group in December 2008 and is the chief financial officer and company secretary of the Group. Mr. Leung graduated from the City University of Hong Kong with a Professional Diploma in Accounting and a Bachelor of Arts. He also obtained a Master of Science in Information and Technology Management from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of the Chartered Certified Accountants.

Ms. Linda Zhang, aged 30, is the Vice-president of the Fashion Group. She is in charge of Retail, Design and Marketing and has over 11 years of experience in international fashion management. Ms. Zhang joined the Group in April 2009 and holds a degree in Bachelor of Arts from York University and Diploma in Fashion Management from George Brown College, Canada.

COUR CARRÉ

Shop 2106, Level 2,
Harbour City,
Tsimshatsui, Kowloon

Shop 052, G/F Cityplaza 2
18 Taikoo Shing Road
Taikoo Shing, H.K.

Shop G35-G37, G/F
Fashion World, Site 2
Whampoa Garden, Hunghom, Kowloon

Shop 472, 4/F
Phase 1, New Town Plaza
Shatin Centre Street, Shatin, N.T.

Unit LG1-28, Festival Walk
80 Tat Chee Avenue,
Kowloon Tong, Kowloon

Shop 103, 1/F., Style House
The Park Lane,
310 Gloucester Road
Causeway Bay, H.K.

Shop No. UC-2, Upper Concourse Level,
APM, Millennium City 5,
418 Kwun Tong Road, Kowloon

Shop 111 on Level One, Man Yee Arcade,
Man Yee Bldg., 68 Des Voeux Road Central, H.K.

Shop UG17, Upper Ground Floor,
Olympian City 2, 18 Hoi Ting Road,
Tai Kok Tsui, Kowloon

Shop No. 3, Level 3, Langham Place,
8 Argyle Street, Mongkok, Kowloon

Shop UG12, UG13, & UG15,
Upper Ground Floor, Citywalk,
No. 1 Yeung Uk Road, Tsuen Wan, N.T.

Shop No. B209, Basement 2 K11
No.18 Hanoi Rd., Tsim Sha Tsui, Kowloon

Shop Nos. 38, 39A&B
Upper Ground Floor, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui, Kowloon

GAY GIANO

5/F Sogo Department Store,
Causeway Bay, H.K.

Shop No.108 &109, Level 1 K11
No. 18 Hanoi Rd., Tsim Sha Tsui, Kowloon

A summary of the results, assets and liabilities of the Group for the last five financial periods is as follows:

Results	**For the year ended 31 December 2009**	For the nine months ended 31 December 2008	For the year ended 31 March 2008	For the year ended 31 March 2007	For the year ended 31 March 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**97,452**	80,732	131,081	131,447	132,785
(Loss)/profit before income tax expense	**(24,432)**	(33,273)	(21,644)	(1,986)	1,680
Income tax (expense) credit	**—**	—	—	(572)	463
(Loss)/profit for the year/period	**(24,432)**	(33,273)	(21,644)	(2,558)	2,143

Assets and liabilities	**At 31 December 2009**	At 31 December 2008	At 31 March 2008	At 31 March 2007	At 31 March 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**78,084**	76,762	90,565	63,629	68,438
Total liabilities	**(41,228)**	(16,792)	(20,988)	(13,451)	(16,114)
	36,856	59,970	69,577	50,178	52,324

Key Financial Statistics

		Unit/Place	**For the year ended 31 December 2009**	For the nine months ended 31 December 2008	For the year ended 31 March 2008	For the year ended 31 March 2007	For the year ended 31 March 2006
Turnover	Gay Giano	HK$'000	**30,259**	13,712	32,586	36,043	36,688
	Cour Carré	HK$'000	**66,443**	66,444	97,630	93,050	93,132
	Due G	HK$'000	**750**	576	865	2,354	2,965
		HK$'000	**97,452**	80,732	131,081	131,447	132,785
(Loss)/profit before income tax expense		HK$'000	**(24,432)**	(33,273)	(21,644)	(1,986)	1,680
(Loss)/profit for the year/period		HK$'000	**(24,432)**	(33,273)	(21,644)	(2,558)	2,143
Total equity		HK$'000	**36,856**	59,970	69,577	50,178	52,324
Total assets		HK$'000	**78,084**	76,762	90,565	63,629	68,438
Working capital		HK$'000	**20,321**	16,883	55,082	35,020	33,894
Total borrowings		HK$'000	**23,061**	2,294	8,859	5,650	5,142
(Loss)/earnings per share							
— Basic		HK cents	**(9.82)**	(14.25)	(10.28)	(1.28)	1.07
— Diluted		HK cents	**N/A**	N/A	N/A	N/A	1.07
Number of shops			**15**	15	15	16	15
Total controlled retail floor area		Square feet	**22,526**	24,947	23,550	24,408	24,911
Capital expenditure		HK$'000	**1,897**	564	4,516	2,471	3,027
Number of employees		Hong Kong, SAR	**179**	169	170	171	187
		PRC	**218**	225	254	288	375
Gross profit margin		*(note 1)*	**63.50%**	56.49%	61.28%	65.05%	66.77%
Operating (loss)/profit margin		*(note 2)*	**(26.74)%**	(40.08)%	(16.20)%	(1.30)%	(1.37)%
Net (loss)/profit margin		*(note 3)*	**(25.07)%**	(41.21)%	(16.51)%	(1.95)%	(1.61)%
Return on equity		*(note 4)*	**(66.29)%**	(55.48)%	(31.11)%	(5.10)%	(4.10)%
Current ratio		*(note 5)*	**1.52**	2.22	4.18	3.97	3.34
Stock turnover days		*(note 6)*	**90**	79	61	71	75
Creditors' turnover days		*(note 7)*	**53**	12	14	22	19
Debt equity ratio		*(note 8)*	**62.57%**	3.83%	12.73%	11.26%	9.83%

Notes:
1. Gross profit/Sales x 100%
2. Operating (loss)/profit/Sales x 100%
3. (Loss)/profit after tax/Sales x 100%
4. (Loss)/profit after tax/Equity x 100%
5. Current assets/current liabilities
6. Stock/Sales x 365 days*
7. Trade creditors/Purchases x 365 days*
8. Total debt/equity x 100%
9. Sales to retail customers are settled in cash or using major credit cards while the Group allows an average credit period of 30 to 60 days for royalty income receivables.

* 275 days for 9 months ended 31 December 2008

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2009.

Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year under review.

Results and dividends

The results of the Group for the year ended 31 December 2009 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 27 to 33.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2009. (Nine months ended 31 December 2008: Nil).

Summary financial information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 11 to this annual report. This summary does not form part of the financial statements.

Share capital

Details of the share capital of the Company are set out in note 30 to the financial statements.

Pre-emptive rights

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

Purchase, redemption or sale of listed securities of the Company

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Distributable reserves of the Company

At 31 December 2009, the Company had no reserve (31 December 2008: nil) available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. However, the Company's share premium account in the amount of HK$70,453,000 (31 December 2008: HK$70,453,000) may be distributed in the form of fully paid bonus shares.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in note 32 to the financial statements.

Property, plant and equipment and investment property

At 31 December 2009, the Group pledged their investment property in Hong Kong with a net book value of HK$7,100,000 (31 December 2008: HK$5,300,000).

Details of the above and other movements in property, plant and equipment and investment property of the Group are set out in notes 15 and 16 to the financial statements.

Major customers and suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for less than 1% (for the nine months ended 31 December 2008: less than 1%) of the Group's total revenue for the year under review.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for less than 20% and 35% (for the nine months ended 31 December 2008: less than 9% and 21%) respectively, of the Group's total purchases for the year under review.

None of the directors of the Company, any of their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Directors

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

Executive Directors

Mr. Wong Pak Lam, Louis *(Chairman)*
Ms. Lin Xia Yang *(Chief Executive Officer)*
Mr. Wong Kwong Lung, Terence
Mr. Lam Ho Fai
Mr. Gu Zhi Hao *(appointed on 11 February 2009)*

Independent non-executive directors

Mr. Chan Ka Ling, Edmond
Mr. Lo Wa Kei, Roy
Mr. Ching Kwok Ho, Samuel

In accordance with the Company's Bye-Law, Mr. Wong Kwong Lung, Terence, Mr. Lam Ho Fai and Mr. Lo Wa Kei, Roy will retire by rotation and, being eligible, offers themselves for re-election at the forthcoming annual general meeting.

No directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors (continued)

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of the annual report.

Directors' interests in contracts

No contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or any of its fellow 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' and chief executives' interests in shares, underlying shares and debentures

At 31 December 2009, the interests of the directors, the chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

(a) Ordinary shares of HK$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Wong Pak Lam, Louis	Held by controlled corporation *(Note i)*	84,004,000	33.76%
Mr. Gu Zhi Hao	Held by controlled corporation *(Note ii)*	30,000,000	12.06%

Directors' and chief executives' interests in shares, underlying shares and debentures (continued)

(b) Share options

Name of director	Number of share options held	Exercisable period	Exercise price per shares *HK$*
Mr. Wong Pak Lam, Louis	218,840	21.11.2007 to 20.11.2017	2.334
Mr. Wong Kwong Lung, Terence	2,188,400	21.11.2007 to 20.11.2017	2.334
Ms. Lin Xia Yang	2,200,000	24.11.2009 to 23.11.2019	0.670
Mr. Lam Ho Fai	2,200,000	24.11.2009 to 23.11.2019	0.670
	6,807,240		

Other than holdings disclosed above and nominee shares in certain subsidiaries held in trust for the Group at 31 December 2009, none of the directors or the chief executive nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Note i: Mr. Wong Pak Lam, Louis holds 100% of the shares in issue of Ti Yu Investments Limited and therefore has a controlling interest in it. By virtue of the SFO, Mr. Wong Pak Lam, Louis is taken to be interested in the shares of the Company held by Ti Yu Investments Limited.

Note ii: Mr. Gu Zhi Hao is the 100% beneficial owner of Asian Harvest Enterprises Limited and therefore has a controlling interest in it. By virtue of the SFO, Mr. Gu Zhi Hao is taken to be interested in the shares of the Company held by Asia Harvest Enterprises Limited.

Share options

Particulars of the Company's share option scheme are set out in note 31 to the financial statements.

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

Name of Director	Date of Grant	Exercisable period	Exercise Price per share *HK$*	Outstanding at 1.1.2009	Granted/ (Exercise) during the year	Lapsed during the year	Outstanding at 31.12.2009
Wong Pak Lam, Louis	21.11.2007	21.11.2007 to 20.11.2017	2.334	218,840	—	—	218,840
Wong Kwong Lung, Terence	21.11.2007	21.11.2007 to 20.11.2017	2.334	2,188,400	—	—	2,188,400
Lin Xia Yang	24.11.2009	24.11.2009 to 23.11.2019	0.670	—	2,200,000	—	2,200,000
Lam Ho Fai	24.11.2009	24.11.2009 to 23.11.2019	0.670	—	2,200,000	—	2,200,000
Total				2,407,240	4,400,000	—	6,807,240
Employee and Consultant							
Employee	24.11.2009	24.11.2009 to 23.11.2019	0.670	—	200,000	—	200,000
Consultant	21.11.2007	21.11.2007 to 20.11.2017	2.334	1,094,000	—	—	1,094,000
Total				1,094,000	200,000	—	1,294,000

The closing price of the Company's shares on 23 November 2009, immediately before the date of grant of the above options was HK$0.65.

Arrangements to purchase shares or debentures

Other than as disclosed under the heading "Share Options" above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the 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 or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the year.

Substantial shareholders' interests in shares, underlying shares and debentures

As at 31 December 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that (other than the interests disclosed above in respect of certain directors or chief executive), the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long position in ordinary shares of HK$0.1 each of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Number of underlying shares held	Percentage of of the issued share capital of the Company
Ti Yu Investments Limited *(Note i)*	Beneficial owner	84,004,000	—	33.76%
Asian Harvest Enterprises Limited *(Note ii)*	Beneficial owner	30,000,000	—	12.06%

Note i: Mr. Wong Pak Lam, Louis holds 100% of the shares in issue of Ti Yu Investments Limited and therefore has a controlling interest in it. By virture of the SFO, Mr. Wong Pak Lam, Louis is taken to be interested in the shares of the Company held by Ti Yu Investments Limited.

Note ii: Mr. Gu Zhi Hao is the 100% beneficial owner of Asian Harvest Enterprises Limited and therefore has a controlling interest in it. By virtue of the SFO, Mr. Gu Zhi Hao is taken to be interested in the shares of the Company held by Asian Harvest Enterprises Limited.

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December 2009.

Directors' business in competing business

None of the directors of the Company is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year.

Corporate Governance

Information on the Company's corporate governance practice is set out in the Report of the Corporate Governance accompanying the annual report.

Emolument policy

The Group remunerates its employees, including the directors, based on their performance, experience and prevailing market rate. The Company has adopted a share option scheme as an incentive to directors, consultants and eligible employees, details of the scheme is set out in note 31 to the financial statements.

The determination of emolument of the directors of the Company had taken into consideration of their expertise and job specifications.

Sufficiency of public float

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

Management contracts

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

Subsequent event

On 16 April 2010, the Company entered into a subscription agreement with a company which is beneficial owned by a minority shareholder of the Company (as the subscriber) pursuant to which the Company has conditionally agreed to issue and the subscriber has conditionally agreed to subscribe for convertible debentures for a maximum amount of HK$25,000,000 upon serving of written draw-down notice(s) by the Company. Details of the convertible debentures are set out in the Company's announcement dated 16 April 2010. On 22 April 2010, convertible debentures in a principal amount of HK$10,000,000 were issued by the Company to the subscriber pursuant to the terms and conditions of the subscription agreement.

On 22 April 2010, the controlling shareholder of the Company, namely Mr. Wong Pak Lam, Louis ("Mr. Wong"), has executed a deed of indemnity in favour of Yield Long Limited (a wholly owned subsidiary of the Company) in relation to a loan granted by the Group, provided that the total and maximum liability of Mr. Wong under such deed of indemnity shall not exceed HK$14,000,000. Details of the deed of indemnity are set out in the Company's announcement dated 22 April 2010.

Auditor

Deloitte Touche Tohmatsu (the "DTT") acted as auditors of the Company for the year ended 31 March 2008. Shu Lun Pan Horwath Hong Kong CPA Limited was first appointed as auditors of the Company in 2008 upon the resignation of DTT with effect from 23 December 2008.

Shu Lun Pan Horwath Hong Kong CPA Limited has changed the name to Shu Lun Pan Hong Kong CPA Limited and merged their business with BDO McCabe Lo Limited on 1 May 2009. On the same date BDO McCabe Lo Limited has changed their name to BDO Limited. Accordingly, the consolidated financial statements in this annual report have been audited by BDO Limited.

A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board
Wong Pak Lam, Louis
Chairman

Hong Kong, 23 April 2010

Corporate Governance Practices

Save for deviation from Code Provision E1.2 whereby the Chairman of the Board was unable to attend the Annual General Meeting of the Company held on 12 June 2009 due to other commitments, throughout the year ended 31 December 2009, the Group has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules.

Directors' Securities Transactions

The Company has adopted a model code as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company (the "Directors"), the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2009.

Board of Directors

Composition of the Board of Directors

The Board of Directors of the Company (the "Board") currently comprises eight Directors, of whom five are Executive Directors, namely Mr. Wong Pak Lam, Louis, Ms. Lin Xia Yang, Mr. Wong Kwong Lung, Terence, Mr. Lam Ho Fai and Mr. Gu Zhi Hao and three are Independent Non-executive Directors, namely Mr. Chan Ka Ling, Edmond, Mr. Lo Wa Kei, Roy and Mr. Ching Kwok Ho, Samuel. Each of Directors' respective biographical details are set out in the "Biographical details of directors and senior management" of this annual report.

The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. To the best knowledge of the Board, save as the family relationships set out in the "Biographical details of directors and senior management" of this annual report, there is no financial, business, family or other material/relevant relationship among members of the Board.

Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company are Mr. Wong Pak Lam, Louis and Ms. Lin Xia Yang respectively. The roles of the Chairman and Chief Executive Officer are segregated to assume a balance of authority and power. The Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established and set out in writing.

Functions of the Board of Directors

The Board is responsible for the leadership and control of the Company, overseeing the Group's businesses and evaluating the performance of the Group. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group. The Board delegates day-to-day operations of the Group to Executive Directors and senior management who perform their duties under the leadership of the Chairman.

Board of Directors (continued)

Independent Non-executive Directors

In compliance of Rule 3.10(1) of the Listing Rules, there are three Independent Non-executive Directors. Among the three Independent Non-executive Directors, two of them have possessed professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has received from each of its Independent Non-executive Directors the written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr. Chan Ka Ling, Edmond, Mr. Lo Wa Kei, Roy and Mr. Ching Kwok Ho, Samuel to be independent.

Directors' appointment, re-election and removal

All Non-executive Directors are appointed for a specific term of 1 year subject to the retirement and reappointment provisions in the Bye-law of the Company (the "Bye-laws").

In accordance with the Bye-laws, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, every Director shall be subject to retire by rotation at least once every three years. In addition, according to the Bye-laws, any Directors appointed to fill a casual vacancy shall hold office only until the next following general meeting or until the next following annual general meeting if addition to the Board and shall then be eligible for re-election at that meeting.

Board meetings and board practices

The Board has scheduled at least four meetings a year and meets when required. During the year, the Board held 19 meetings. 13 of the meetings are full board meetings and the rest of 6 are executive board meetings. The Company Secretary assists the Chairman in preparing the agenda of meeting. For all such meetings, at least 14 days' notice is given to all Directors while reasonable notice is generally given for other board meetings. The Company Secretary is responsible for distributing detailed documents to Directors to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing to the Board of Directors opinions on matters in relation to the compliance with the procedures of the Board meetings. All Board and committee minutes are recorded in appropriate details and all minutes are kept by the Company Secretary and are open for inspections by the Directors. In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

During the year ended 31 December 2009, the Company held 19 Board meetings, and the Directors' attendance records for those meetings held is set out below.

Board of Directors (continued)

Directors' attendance at board meetings

	Directors' attendance
Executive Directors	
Mr. Wong Pak Lam, Louis (Chairman)	17/19
Ms. Lin Xia Yang (Chief Executive Officer)	19/19
Mr. Wong Kwong Lung, Terence	19/19
Mr. Lam Ho Fai	19/19
Mr. Gu Zhi Hao (appointed on 11 February, 2009)	14/14
Independent Non-executive Directors	
Mr. Chan Ka Ling, Edmond	13/19
Mr. Lo Wa Kei, Roy	13/19
Mr. Ching Kwok Ho, Samuel	13/19

Board Committees

Audit Committee

The Company has established an audit committee on 14 March 2000 with written terms of reference in accordance with the requirements of the CG Code. The audit committee has three members, including the Company's three independent non-executive Directors, namely Mr. Chan Ka Ling, Edmond, Mr. Lo Wa Kei, Roy and Mr. Ching Kwok Ho, Samuel. Mr. Chan Ka Ling, Edmond is the Chairman of the audit committee. The audit committee acts as an important link between the Board and the Company's auditors in matters within the scope of the Group audit. The duties of the audit committee are to review and provide supervision over the financial reporting process of the Group. The audit committee meets regularly with the management and the external auditors to discuss the accounting principles and practices adopted by the Group and the financial reporting matters. The financial statements of the Group for the year ended 31 December 2009 have been reviewed by the audit committee and there were 2 meetings held during the year ended 31 December 2009. The attendance record for the audit committee meetings is set out below:

	Directors' attendance
Members of the audit committee	
Mr. Chan Ka Ling, Edmond	2/2
Mr. Lo Wa Kei, Roy	2/2
Mr. Ching Kwok Ho, Samuel	2/2

Board Committees (continued)

Remuneration Committee

The Company established a remuneration committee on 28 September 2005 with terms of reference in compliance with the provisions set out in the CG Code. The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. It comprises three members, including the Company's two independent non-executive Directors, namely Mr. Chan Ka Ling, Edmond and Mr. Lo Wa Kei, Roy and an executive Director, Mr. Wong Kwong Lung, Terence. Mr. Chan Ka Ling, Edmond is the Chairman of the remuneration committee.

The remuneration committee meets at least once a year. During the year ended 31 December 2009, the remuneration committee has held 1 meeting to review the existing remuneration packages of each Director and senior management of the Company, and to recommend to the Board the salaries and bonuses of the Directors and senior management and discuss the remuneration package of the newly appointed directors and senior managements. The attendance record of individual committee members is set out below:

	Directors' Attendance
Members of the remuneration committee	
Mr. Chan Ka Ling, Edmond	1/1
Mr. Lo Wa Kei, Roy	1/1
Mr. Wong Kwong Lung, Terence	1/1

Nomination of Directors

According to the CG Code, it is recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors. As the Board considers that may take up by the board members, therefore, the Company has not established a nomination committee.

The Board is responsible for considering, selecting and recommending candidates for directorship which based on assessment of their professional qualifications and experience. The Board is responsible for determining the independence of each Director and conducting assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

Auditors' Remuneration

During the year ended 31 December 2009, the fees paid/payable to BDO Limited, the existing auditors of the Company, in respect of audit is HK$650,000 (for the nine month ended 31 December 2008: HK$650,000).

Directors' Responsibility for the Financial Statements

The Board is responsible for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Directors acknowledge their responsibility for preparing the financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

Internal Control

The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. During the year, the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

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Certified Public Accountants
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TO THE SHAREHOLDERS OF TIME INFRASTRUCTURE HOLDINGS LIMITED
(太益控股有限公司)
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Time Infrastructure Holdings Limited and its subsidiaries (collectively called the "Group") set out on pages 27 to 84, which comprise the consolidated and company statements of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the 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 notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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.

Except as described in the "Basis for Qualified Opinion" paragraph below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

As further explained in Notes 18 and 21 to the financial statements, included in the consolidated statement of financial position as at 31 December 2009 is a secured loan receivable of HK$28,200,000 relating to a refundable deposit due by the vendor of certain toll road entities ("the Loan Receivable"), which is secured by the share of the vendor's subsidiary. Up to the date of this report, the Loan Receivable is overdue and one of the toll road entity's development and operation contract has been terminated by the PRC government, which might have an impact on the underlying value of the securities held by the Group. We have been unable to obtain sufficient reliable information, or to carry out alternative audit procedures to satisfy ourselves that the carrying amount of Loan Receivable is fairly stated and is not subject to impairment as at 31 December 2009.

Any adjustment that might have been found to be necessary in respect of the Loan Receivable would have had a consequential effect on the financial position of the Group as at 31 December 2009 and of its loss for the year then ended.

Qualified opinion arising from limitation of audit scope

In our opinion, except for any adjustments that might have been determined to be necessary had we been able to satisfy ourselves that the Loan Receivable is fairly stated and is not subject to impairment as at 31 December 2009, the consolidated financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2009 and of the loss and cash flows of the Group 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.

BDO Limited
Certified Public Accountants
23 April 2010
Choi Man On
Practising Certificate number P02410

25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**Year ended 31 December 2009 HK$'000**	Nine months ended 31 December 2008 HK$'000
Revenue	7	**97,452**	80,732
Cost of sales		**(35,546)**	(35,123)
Gross profit		**61,906**	45,609
Other income/(expenses), net	7	**2,623**	(101)
Distribution costs		**(42,465)**	(35,708)
Administrative expenses		**(46,386)**	(42,860)
Finance costs	8	**(110)**	(213)
Loss before income tax expense	9	**(24,432)**	(33,273)
Income tax expense	11	**—**	—
Loss for the year/period		**(24,432)**	(33,273)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**—**	(43)
Deficit on revaluation of leasehold land and buildings		**—**	(237)
Other comprehensive income for the year/period, net of tax		**—**	(280)
Total comprehensive income for the year/period		**(24,432)**	(33,553)
Loss for the year/period attributable to owners of the Company	12	**(24,432)**	(33,273)
Total comprehensive income for the year/period attributable to owners of the Company		**(24,432)**	(33,553)
Loss per share — Basic and diluted	14	**(9.82)HKcents**	(14.25)HKcents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	15	**4,638**	5,217
Investment property	16	**7,100**	5,300
Rental deposits		**6,933**	7,332
Payment for acquisition of toll road entities	18	**—**	28,206
		18,671	46,055
Current assets			
Inventories	19	**23,924**	23,299
Trade receivables, deposits and prepayments	20	**2,658**	953
Rental deposits		**1,576**	1,463
Tax recoverable		**61**	61
Other loan receivable	21	**28,200**	—
Cash and bank balances	22	**2,994**	4,931
		59,413	30,707
Current liabilities			
Trade payables, other payables and accruals	23	**16,031**	11,579
Amounts due to shareholders	24	**16,300**	—
Other loan, unsecured	25	**4,500**	—
Bank borrowings, secured	26	**2,212**	2,097
Obligation under finance lease	27	**49**	148
		39,092	13,824
Net current assets		**20,321**	16,883
Total assets less current liabilities		**38,992**	62,938

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Obligation under finance lease	27	—	49
Provision for long service payments	28	**2,136**	2,919
		2,136	2,968
Total net assets		**36,856**	59,970
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	30	**24,884**	24,884
Reserves	32	**11,972**	35,086
Total equity		**36,856**	59,970

These financial statements were approved and authorised for issue by the board of directors on 23 April 2010.

Wong Pak Lam, Louis
Director

Lin Xia Yang
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Interests in subsidiaries	17	**56,644**	57,955
Current assets			
Prepayments and deposit		**41**	—
Cash and bank balances	22	**280**	265
		321	265
Current liabilities			
Other payables and accruals	23	**2,367**	2,218
Amounts due to shareholders	24	**16,300**	—
Other loan, unsecured	25	**4,500**	—
Amounts due to subsidiaries	17	**—**	365
		23,167	2,583
Net current liabilities		**(22,846)**	(2,318)
Total net assets		**33,798**	55,637
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	30	**24,884**	24,884
Reserves	32(g)	**8,914**	30,753
Total equity		**33,798**	55,637

These financial statements were approved and authorised for issue by the board of directors on 23 April 2010.

Wong Pak Lam, Louis
Director

Lin Xia Yang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital HK$'000 (Note 30)	Share premium HK$'000 (Note 32(a))	Call options reserve HK$'000 (Note 32(e))	Share options reserve HK$'000 (Note 32(b))	Translation reserve HK$'000 (Note 32(d))	Property revaluation reserve HK$'000 (Note 32(c))	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2008	21,884	49,507	11,337	3,643	258	1,475	(18,527)	69,577
Total comprehensive income for the period	—	—	—	—	(43)	(237)	(33,273)	(33,553)
Issue of shares *(Note 30)*	3,000	21,000	—	—	—	—	—	24,000
Share issue expenses	—	(54)	—	—	—	—	—	(54)
Share options lapsed *(Note 31)*	—	—	—	(2,122)	—	—	2,122	—
Balance at 31 December 2008 and 1 January 2009	24,884	70,453	11,337	1,521	215	1,238	(49,678)	59,970
Total comprehensive income for the year	—	—	—	—	—	—	(24,432)	(24,432)
Issue of share options *(Note 31)*	—	—	—	1,318	—	—	—	1,318
Call options lapsed *(Note 33)*	—	—	(11,337)	—	—	—	11,337	—
Balance at 31 December 2009	**24,884**	**70,453**	**—**	**2,839**	**215**	**1,238**	**(62,773)**	**36,856**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Year ended 31 December 2009 *HK$'000*	Nine months ended 31 December 2008 *HK$'000*
Operating activities		
Loss before income tax expense	**(24,432)**	(33,273)
Adjustments for:		
Depreciation of property, plant and equipment	**2,360**	2,379
Loss/(gain) on disposal of property, plant and equipment	**116**	(102)
Fair value (gain)/loss on investment property	**(1,800)**	700
Write down of inventories	**1,137**	4,285
Reversal of write down of inventories	**(5,549)**	(2,726)
Reversal of long service payments	**(783)**	(770)
Equity settled share-based payment expenses	**1,318**	—
Interest income	**(2)**	(27)
Interest expense	**110**	213
Operating loss before working capital changes	**(27,525)**	(29,321)
Decrease in rental deposits	**286**	892
Decrease/(increase) in inventories	**3,787**	(3,064)
Decrease in pledged bank deposits	**—**	3,500
(Increase)/decrease in trade receivables, deposits and prepayments	**(1,674)**	1,840
Increase in trade payables, other payables and accruals	**3,923**	3,139
Cash used in operations	**(21,203)**	(23,014)
Income tax refunded	**—**	231
Interest paid	**(52)**	(195)
Interest on finance lease	**(14)**	(18)
Net cash used in operating activities	**(21,269)**	(22,996)
Investing activities		
Payments to acquire toll road entities	**—**	(28,206)
Payments to acquire property, plant and equipment	**(1,368)**	(46)
Proceeds from disposal of property, plant and equipment	**—**	299
Deposits refunded for the acquisition of investments in mining companies	**—**	32,900
Interest received	**2**	27
Net cash (used in)/generated from investing activities	**(1,366)**	4,974

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Year ended 31 December 2009 HK$'000	Nine months ended 31 December 2008 HK$'000
Financing activities		
Issue of shares	—	24,000
Payments of transaction costs in connection with issue of shares	—	(54)
Advance from/(repayment to) shareholders	**16,300**	(1,200)
Proceeds from other loan	**4,425**	—
Proceeds from new bank borrowings, unsecured	**8,352**	12,269
Repayment of bank borrowings	**(8,237)**	(17,772)
Repayment of finance lease obligation	**(148)**	(380)
Net cash generated from financing activities	**20,692**	16,863
Net decrease in cash and cash equivalents	**(1,943)**	(1,159)
Cash and cash equivalents at beginning of year/period	**4,931**	6,176
Effect of foreign exchange rate changes	**6**	(86)
Cash and cash equivalents at end of year/period	**2,994**	4,931
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**2,994**	4,931

The accompanying notes form part of these financial statements.

1. Organisation and operations

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

Due to the change of financial year end date from 31 March to 31 December in the prior year, the financial statements for the current year cover a period of 12 months while the comparative amounts for consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a 9-month period, and therefore they are not entirely comparable.

The Company is an investment holding company and the Group is principally engaged in fashion apparel and retail business during the year ended 31 December 2009. The principal activities of its subsidiaries are set out in Note 17 to the financial statements.

2. Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

(a) The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to the Group and effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

2. Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

(Continued)

(a) *(Continued)*

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for the following changes:

HKAS 1 (Revised) "Presentation of Financial Statements"

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statements are renamed as the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Cash Flows respectively. All income and expenses arising from transactions with non-owners are presented under the Statement of Comprehensive Income; while the owners' changes in equity are presented under the Statement of Changes in Equity.

HKFRS 8 "Operating Segments"

HKFRS 8 replaces HKAS 14 "Segment Reporting, and requires operating segment to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to the chief operating decision-maker as required by HKFRS 8, there are no changes to the operating segments and the relevant segment information on the adoption of HKFRS 8.

HKFRS 7 (Amendments) Improving Disclosures about Financial Statements

The amendments to HKFRS 7 expand the disclosure relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities including issued financial guarantee contracts.

2. Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[4]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKFRS 9	Financial Instruments[6]

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

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January, 2010, as appropriate.

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

4 Effective for annual periods beginning on or after 1 July 2010

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

6 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3. Basis of preparation *(Continued)*

(b) Basis of measurement and going concern assumption

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of leasehold land and buildings and investment property which is carried at revaluated amount and fair value, respectively.

The financial statements have been prepared on a going concern basis notwithstanding the consolidated net loss of approximately HK$24,432,000 for the year ended 31 December 2009 and accumulated losses of HK$62,773,000 as at 31 December 2009. In the opinion of the directors, the Group should be able to maintain itself as a going concern in the coming year after taking into consideration the proposed arrangements which include, but not limited to, the following:

(i) On 16 April 2010, the Company entered into a subscription agreement with a company which is beneficially owned by a minority shareholder of the Company (the "Subscriber"). Pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe the amount of convertible debentures (the "Convertible Debentures") as specified by the Company in written draw-down notice(s) to the Subscriber (serving of such written notice(s) will be at the sole discretion of the Company and the outstanding principal amount of the Convertible Debentures, if issued, will be due on 7 November 2011). The aggregate principal amount of the Convertible Debentures will not exceed HK$25,000,000. (please refer to the Company's announcement dated 16 April 2010 for further details). On 22 April 2010, all conditions precedent under the Subscription Agreement have been fulfilled and the Convertible Debentures in a principal amount of HK$10,000,000 were issued by the Company to the Subscriber on 22 April 2010 pursuant to the terms and conditions of the Subscription Agreement; and

(ii) The directors anticipate that the Group will generate cash flows from its business.

On the basis that the proceeds from the Convertible Debenture were received by the Company on 22 April 2010 and also be available subsequent to the date of this report and the implementation of other measures (when necessary) with a view to improve the Group's working capital position and financial position, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from 31 December 2009. Accordingly, the directors are satisfied that it is appropriate to prepare these financial statements on a going concern basis. The financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities and provision of further liabilities that might be necessary should the Group be unable to continue as a going concern.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

4. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies are eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

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

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Land and buildings held for use in production or supply of goods or services, or for administrative purposes, are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from those that would be determined using fair values at the end of reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity under the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A decrease in carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to accumulated losses. No transfer is made from the property revaluation reserve to accumulated losses except when an asset is derecognised.

Other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

4. Significant accounting policies *(Continued)*

(c) Property, plant and equipment *(Continued)*

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold land and buildings	Over the remaining lease terms
Leasehold improvements	33.3%
Plant and machinery	20%
Furniture and fixtures	20%
Motor vehicles	25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The 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.

(d) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation and not occupied by the Group or held for sale in the ordinary course of business. Investment properties are stated at fair value. Changes in fair value are recognised in profit or loss.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment" above.

(e) Impairment of assets

At the end of each 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 or an impairment loss previously recognised no longer exists or may have decreased. 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). Where 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. Where 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.

4. Significant accounting policies *(Continued)*

(e) Impairment of assets *(Continued)*

Recoverable amount is the higher of fair value less costs to sell 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount under another HKFRS, in which case, the impairment loss is treated as a revaluation decrease under the HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount under another HKFRS, in which case, the reversal of impairment loss is treated as a revaluation increase under that other HKFRS.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

(g) Financial assets

(i) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

4. Significant accounting policies *(Continued)*

(g) Financial assets *(Continued)*

(ii) Impairment of financial assets

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

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or significant payments; or

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

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed in profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

4. Significant accounting policies *(Continued)*

(g) Financial assets *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included in trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iii) Effective interest method

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

(iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. Significant accounting policies *(Continued)*

(h) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) 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 recorded at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

The Group's financial liabilities, including trade and other payable, loans and other borrowings, are initially measured at fair value, net of transaction costs.

They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(iv) Effective interest method

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

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4. Significant accounting policies *(Continued)*

(j) Leases

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.

As lessor

Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are recognised in profit or loss on straight-line basis over the lease term.

As lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

4. Significant accounting policies *(Continued)*

(k) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(l) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(m) Taxation

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

(i) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting date.

4. Significant accounting policies *(Continued)*

(m) Taxation *(Continued)*

(ii) Deferred tax

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

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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting date. 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 reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. Significant accounting policies *(Continued)*

(n) Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Hong Kong dollar which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

— exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;

— exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

— exchange differences on non-monetary items carried at fair value in respect of which gains or losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the translation reserve. Exchange differences recognised in profit or loss of Group entities' individual financial statements on the translation of long-term monetary items that form part of the Group's net investment in foreign operations are reclassified to the translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. Significant accounting policies *(Continued)*

(o) Employees' benefits

(i) Short-term benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of reporting period.

(ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised in profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 15% to 20% of its payroll costs to the central pension scheme. The contributions are recognised in profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group has no further payment obligations once the contributions have been paid.

(p) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Share options granted after 7 November 2002 and vested after 1 April 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share options reserve.

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

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the share options granted. The fair values of the services received are recognised as expenses immediately.

4. Significant accounting policies *(Continued)*

(q) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred

(R) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(S) 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.

(i) Revenue from the sale of goods is recognised when the Group entity has delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(iii) Royalty income is recognised according to the terms of the agreement.

(iv) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

5. Critical accounting judgements and key sources of estimation uncertainty

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

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

(i) Inventory valuation

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at the end of each reporting period.

As at 31 December 2009, the directors of the Company have identified slow-moving inventories. Where the actual cash flows are less than expected, a material write-down of raw materials, work in progress and finished goods to estimated net realisable value may arise. The carrying amount of inventories at the end of reporting date was HK$23,924,000 (2008: HK$23,299,000) after a write-down of raw materials, work in progress and finished goods.

(ii) Provision for long service payments

A provision is made for the estimated liability for long service payments and the calculation of which involves assumptions and assessment on the employees' final salary, years of service, employee turnover rate, the change of labour market condition and other relevant economic and strategic policies. Adjustment of provision is dependent on the aggregate effect of relevant factors which involve considerable degrees of estimation. The management will also consider taking reference to the independent valuers' report in assessing whether adjustment on provision is required. Where the actual cash flows are less than expected, a material provision for long service payments may rise. The carrying amount of provision for long service payments at the end of reporting date was HK$2,136,000 (2008: HK$2,919,000).

(iii) Allowance for loan receivable

Allowance for loan receviable is made based on assessment of the recoverability of loan receivable. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the loan receivable and doubtful debt expenses/written back in the period in which the estimate has been changed.

6. Segment information

Reportable segments

The Group operates, through its subsidiaries, in fashion retailing business in Hong Kong. The Group has a subsidiary, which principally engaged in manufacturing of fashion apparel for the Group, located in PRC with inter-segment revenue of approximately HK$23,323,000 (Period ended 31 December 2008: HK$18,924,000), and segment assets of approximately HK$6,049,000 (2008: HK$7,139,000) and segment liabilities of approximately HK$1,190,000 (2008: HK$708,000), respectively. Except for the "Payment for acquisition of toll road entities" of HK$28,206,000 in 2008 and "Other loan receivable" of HK$28,200,000 in current year, all other assets and liabilities are attributable to the Group's fashion retailing business.

Information about major customers

The Group's revenue from external customers is principally derived from its fashion retailing business in Hong Kong. The Group's customer base is diversified to numerous individual customers without concentration of reliance.

7. Revenue and other income/(expenses), net

Revenue, which is also the Group's turnover, represents the invoiced value of goods supplied/services provided to customers.

An analysis of other income/(expenses), net is as follows:

	Year ended 31 December 2009	Nine months ended 31 December 2008
	HK$'000	*HK$'000*
Royalty fee income	**475**	355
Fair value gain/(loss) on investment property	**1,800**	(700)
Gain on disposal of property, plant and equipment	**—**	102
Gross rental income	**228**	71
Bank interest income	**2**	27
Others	**118**	44
	2,623	(101)

8. Finance costs

	Year ended 31 December 2009 *HK$'000*	Nine months ended 31 December 2008 *HK$'000*
Interest expenses on bank borrowings wholly repayable within five years	**52**	195
Interest on finance lease	**14**	18
Interest on other loan	**44**	—
	110	213

9. Loss before income tax expense

	Year ended 31 December 2009 *HK$'000*	Nine months ended 31 December 2008 *HK$'000*
Loss before income tax expense is arrived at after charging/ (crediting):		
Directors' remuneration *(Note 10)*	**7,285**	3,910
Employee benefit expenses (excluding directors' remuneration):		
Salaries and allowances	**35,448**	29,021
Retirement benefit scheme contributions	**2,628**	2,070
Reversal of long service payments *(Note 28)*	**(783)**	(770)
Equity-settled share-based payment expenses *(Note 31)*	**58**	—
	37,351	30,321
Auditor's remuneration	**676**	661
Depreciation of property, plant and equipment *(Note 15)*	**2,360**	2,379
Write down of inventories *(Note 19)*	**1,137**	4,285
Reversal of write down of inventories *(Note 19)*	**(5,549)**	(2,726)
Cost of inventories *(Note 19)*	**35,320**	35,123
Foreign exchange losses/(gains), net	**164**	(714)
Loss/(gain) on disposal of property, plant and equipment	**116**	(102)
Minimum lease payments under operating leases on land and buildings	**30,440**	24,847

Note: Cost of inventories includes HK$8,230,000 (Nine months ended 31 December 2008: HK$6,005,000) relating to staff costs, depreciation and rental expenses, which amounts are also included in the respective total amounts disclosed separately above.

10. Directors' and employees' emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the eight (Nine months ended 31 December 2008: seven) directors were as follows:

Year ended 31 December 2009

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director:					
Lin Xiayang	—	960	—	630	1,590
Wong Pak Lam, Louis	—	1,400	12	—	1,412
Wong Kwong Lung, Terence	—	1,560	12	—	1,572
Lam Ho Fai	—	1,040	12	630	1,682
Gu Zhi Hao##	—	639	—	—	639
	—	5,599	36	1,260	6,895
Independent non-executive director:					
Chan Ka Ling, Edmond	150	—	—	—	150
Ching Kwok Ho, Samuel	120	—	—	—	120
Lo Wa Kei, Roy	120	—	—	—	120
	390	—	—	—	390
	390	5,599	36	1,260	7,285

Gu Zhi Hao was appointed on 11 February 2009.

10. Directors' and employees' emoluments *(Continued)*

(a) Directors' emoluments *(Continued)*

Nine months ended 31 December 2008

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director:					
Lin Xiayang[#]	—	240	—	—	240
Wong Pak Lam, Louis	—	1,462	9	—	1,471
Wong Kwong Lung, Terence	—	1,371	9	—	1,380
Lam Ho Fai[**]	—	520	6	—	526
	—	3,593	24	—	3,617
Independent non-executive director:					
Chan Ka Ling, Edmond	113	—	—	—	113
Ching Kwok Ho, Samuel	90	—	—	—	90
Lo Wa Kei, Roy	90	—	—	—	90
	293	—	—	—	293
	293	3,593	24	—	3,910

[#] Lin Xiayang was appointed on 6 October 2008.

[**] Lam Ho Fai was appointed on 1 July 2008.

10. Directors' and employees' emoluments *(Continued)*

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, four (Nine months ended 31 December 2008: two) were directors of the Company, whose emoluments are included in the disclosure set out in note (a) above. The emoluments of the remaining one (Nine months ended 31 December 2008: three) highest paid individual was as follows:

	Year ended 31 December 2009 *HK$'000*	Nine months ended 31 December 2008 *HK$'000*
Salaries and other benefits	**900**	1,788
Retirement benefit scheme contributions	**12**	25
	912	1,813

	Number of employees	Number of employees
HK$500,001 to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**—**	—

(c) During the year/period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the year/period.

11. Income tax expense

No provision for income tax expense has been made in the consolidated financial statements as the Group had no assessable profit for the year (Nine months ended 31 December 2008: Nil).

The taxation credit for the year/period can be reconciled to the accounting loss as follows:

	Year ended 31 December 2009 ***HK$'000***	Nine months ended 31 December 2008 *HK$'000*
Loss before income tax expense	**(24,432)**	(33,273)
Taxation calculated at Hong Kong profits tax rate of 16.5% (2008: 16.5%)	**(4,031)**	(5,490)
Tax effect of expenses not deductible for taxation purposes	**426**	149
Tax effect of non-taxable items	**(373)**	(60)
Tax effect of deductible temporary differences not recognised	**99**	162
Tax effect on unused tax losses not recognised	**4,384**	5,582
Utilisation of previously unrecognised tax losses	**(507)**	(346)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2**	3
Income tax for the year/period	**—**	—

12. Loss attributable to owners of the Company

Loss attributable to owners of the Company includes a loss of HK$1,984,000 (Nine months ended 31 December 2008: a loss of HK$14,568,000) which has been dealt with in the financial statements of the Company.

13. Dividends

No dividend was paid or proposed for the year ended 31 December 2009 (Nine months ended 31 December 2008: Nil), nor has any dividend been proposed since the end of reporting period (31 December 2008: Nil).

14. Loss per share

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

	Year ended 31 December 2009	Nine months ended 31 December 2008
Loss for the purpose of basic loss per share	**HK$24,432,000**	HK$33,273,000
Weighted average number of ordinary shares for the purpose of basic loss per share	**248,840,000**	233,458,182

Diluted loss per share is presented as the same as basic loss per share for the year/period of 2009 and 2008 because the exercise price of the Company's share options was higher than the average market price of the Company's shares and, accordingly, they have no dilutive effect on the basic loss per share.

15. Property, plant and equipment

The Group:

	Leasehold land and buildings#	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION						
At 1 April 2008	6,300	8,974	3,778	8,491	4,751	32,294
Additions	—	53	—	134	377	564
Disposals	—	—	—	—	(890)	(890)
Deficit on revaluation	(300)	—	—	—	—	(300)
Transfer to investment property *(Note 16)*	(6,000)	—	—	—	—	(6,000)
Exchange adjustments	—	91	86	16	49	242
At 31 December 2008	—	9,118	3,864	8,641	4,287	25,910
Additions	—	1,493	80	324	—	1,897
Disposals	—	(720)	—	(1,383)	—	(2,103)
At 31 December 2009	—	9,891	3,944	7,582	4,287	25,704
ACCUMULATED DEPRECIATION						
At 1 April 2008	—	6,315	3,735	6,426	2,395	18,871
Provided for the period *(Note 9)*	63	1,189	27	514	586	2,379
Disposals	—	—	—	—	(693)	(693)
Deficit on revaluation	(63)	—	—	—	—	(63)
Exchange adjustments	—	90	85	14	10	199
At 31 December 2008	—	7,594	3,847	6,954	2,298	20,693
Provided for the year *(Note 9)*	—	1,014	19	648	679	2,360
Disposals	—	(692)	—	(1,295)	—	(1,987)
At 31 December 2009	—	7,916	3,866	6,307	2,977	21,066
CARRYING AMOUNT						
At 31 December 2009	—	1,975	78	1,275	1,310	4,638
At 31 December 2008	—	1,524	17	1,687	1,989	5,217

As the prepaid land lease payments could not be allocated reliably between the land and building elements, the entire lease payments were included in the cost of land and building as finance leases in property, plant and equipment in the prior year. Other than leasehold land and buildings which was stated at valuation, all items under property, plant and equipment and stated at cost.

15. Property, plant and equipment *(Continued)*

(a) The Group leases a motor vehicle under a finance lease expiring in two years. At the end of the lease term the Group has the option to purchase the leased asset at a price deemed to be a bargain purchase option. None of the lease includes contingent rentals.

At the end of reporting date, the carrying amount of motor vehicle held under finance lease of the Group was HK$292,000 (2008: HK$421,000). The related depreciation charge was HK$129,000 (Nine months ended 31 December 2008: HK$97,000).

(b) In the prior period, the leasehold land and buildings of the Group was transferred to investment property at its fair value as at the date of the commencement of the operating lease with the third party. The fair value used is determined by directors of the Group with reference to the recent market transactions in comparable properties. The revaluation deficit of HK$237,000, net of applicable deferred tax, had been transferred from property revaluation reserve.

16. Investment property

	The Group *HK$'000*
Fair value:	
At 1 April 2008	—
Transfer from property, plant and equipment *(Note 15)*	6,000
Fair value adjustment	(700)
At 31 December 2008	5,300
Fair value adjustment	1,800
At 31 December 2009	7,100

The Group's investment property was revalued as at 31 December 2009 at its open market value by reference to recent market transactions in comparable properties. The valuation was carried out by RHL Appraisal Limited, an independent valuer who is a member of the Institute of Valuers and has appropriate qualification.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to HK$228,000 (Nine months ended 31 December 2008: HK$71,000). Direct operating expenses arising on the investment property in the period amounted to HK$33,000 (Nine months ended 31 December 2008: HK$26,000).

The Group's investment property is held in Hong Kong under medium-term leases.

The Group has pledged the investment property to secure banking facilities granted to the Group (Note 26).

17. Interests in subsidiaries

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**32,251**	32,251
Amounts due from subsidiaries	**107,254**	87,392
	139,505	119,643
Less: Impairment losses	**(82,861)**	(61,688)
	56,644	57,955

The directors assessed that investments in subsidiaries and amounts due from subsidiaries are impaired due to sustained losses incurred. Consequently, a provision for impairment loss was made.

Amounts due from subsidiaries are unsecured, interest-free and in substance a part of the Company's interests in the subsidiaries in the form of quasi-equity loans.

Amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

None of the subsidiaries had any debt securities subsisting at the end of reporting period or at any time during the year/period.

Particulars of the Company's principal subsidiaries as at 31 December 2009 are as follows:

			Proportion of ownership interest			
Name of company	**Country of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by the subsidiary**	**Principal activities**
Gay Giano Holdings Limited	British Virgin Islands	US$1,000	100%	100%	—	Investment holding
Sky Cypress Limited	British Virgin Islands	US$1	100%	100%	—	Investment holding
Belarus Limited	Hong Kong	HK$3,000	100%	—	100%	Sourcing of materials and investment holding
Cour Carré Company Limited	Hong Kong	HK$1,000	100%	—	100%	Retail of fashion apparel and complementary accessories

17. Interests in subsidiaries *(Continued)*

Name of company	Country of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
Due G Company Limited	Hong Kong	HK$10,000	100%	—	100%	Retail of fashion apparel and complementary accessories
Gay Giano Company Limited	Hong Kong	HK$1,000,000	100%	—	100%	Retail of fashion apparel and complementary accessories
Gay Giano International Limited	Hong Kong	HK$1,000	100%	—	100%	Investment holding and provision of administrative services
Gay Giano Technology Limited	British Virgin Islands/ Hong Kong	US$1	100%	—	100%	Provision of information technology services
Gay Giano Shanghai Limited	Hong Kong	HK$1	100%	—	100%	Inactive
Gay Giano Hong Kong Limited	Hong Kong	HK$10,000	100%	—	100%	Inactive
Maxrola Limited	Hong Kong	HK$2	100%	—	100%	Property investment holding
Shenzhen Longwei Fashion Mfg. Co., Ltd*	People's Republic of China ("PRC")	HK$12,000,000	100%	—	100%	Manufacture and distribution of fashion apparel
Yield Long Limited	British Virgin Islands	USD1	—	100%	—	Investment holding

* a wholly-owned foreign enterprise

The above table lists the subsidiaries of the Company which in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. Payment for acquisition of toll road entities

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Balance as at the beginning of the year/ period	**28,206**	—
Cash payment during the period	**—**	28,206
Transfer to loan receivable *(Note 21)*	**(28,206)**	—
Balance as at the end of the year/period	**—**	28,206

On 26 September 2008, the Group entered into an option agreement ("Option Agreement") with independent third parties, pursuant to which the Group was granted an option ("Option") to acquire 75% equity interests in two PRC entities that are principally engaging in toll road business ("Toll Road Business"). Under the Option Agreement, the Group has the rights at its absolute discretion, but is not obliged, to exercise the Option on or before 31 July 2009, after all of the conditions set out in the Option Agreement have been fulfilled (or waived by the Company, as the case may be). The total consideration for the proposed acquisition ("Proposed Acquisition") which shall take place upon exercise of the Option by the Company is RMB190,000,000 ("Total Consideration"), where a total of HK$28,206,000 (equivalent to RMB25,000,000) was paid by the Group in cash as refundable deposit ("Refundable Deposit") and as partial payment of the Total Consideration in prior year. Details of the Option Agreement and the transaction contemplated thereunder are set out in the Company's circular dated 31 October 2008.

The Option had not been exercised and expired on 31 July 2009.

On 11 September 2009, the Group entered into a loan agreement with one of the grantors (the "Borrower") under the Option Agreement pursuant to which Yield Long Limited ("Yield Long"), a wholly-owned subsidiary of the Company, has conditionally agreed to grant a grace period of six months to the Borrower for the repayment of the deposit of HK$28,200,000 (or RMB25,000,000 equivalent) (the "Loan"). Under the loan agreement, the Borrower should pay interest to Yield Long on the Loan at the rate of 5% per annum. The Loan is secured by the share charge relating to 75% of the issued share capital of a company ("Charged Company") which had held interest in the Toll Road Business and the personal guarantee from the beneficial owner of the Borrower. Accordingly, the payment for acquisition of toll road entities was then reclassified as other loan receivable under current assets.

Details of the Loan were set out in the Company's circular dated 2 October 2009. The Loan was approved by the Company's shareholders at the special general meeting of the Company held on 19 October 2009 and was thereafter used by the Borrower exclusively for the repayment of the Refundable Deposit. The Loan, together with interest accrued thereon, was due for repayment on 18 April 2010 but has still been outstanding as at the date of this report.

In order to indemnify Yield Long against losses in respect of the outstanding Loan and relevant interest, the controlling shareholder of the Company, namely Mr. Wong Pak Lam, Louis ("Mr. Wong"), has executed a deed of indemnity (the "Deed") in favour of Yield Long, provided that the total and maximum liability of Mr. Wong under the Deed shall not exceed HK$14,000,000. Details of such indemnity granted to Yield Long were set out in the Company's announcement dated 22 April 2010.

19. Inventories

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	**2,363**	2,864
Work in progress	**568**	435
Finished goods	**20,993**	20,000
	23,924	23,299

(i) The cost of inventories recognised as an expense during the year was HK$35,320,000 (Note 9) (Nine months ended 31 December 2008: HK$35,123,000).

(ii) The analysis of the amount of inventories recognised as an expense (Note 9) is as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**39,732**	33,564
Write down of inventories	**1,137**	4,285
Reversal of write-down of inventories	**(5,549)**	(2,726)
	35,320	35,123

The reversal of write-down of inventories arose due to an increase in the estimated net realisable value of certain fashion apparel goods as a result of a change in consumer preferences.

(iii) Inventories of HK$4,050,000 (2008: HK$1,256,000) are expected to be recovered after more than twelve months.

20. Trade receivables, deposits and prepayments

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Trade receivables — not yet due	**826**	118
Deposits and prepayments	**1,832**	835
	2,658	953

(i) Sales to retail customers are settled in cash or using major credit cards while the Group allows an average credit period of 30 to 60 days for royalty income receivables.

Trade receivables were neither past due nor impaired.

(ii) All of the trade receivables are expected to be recovered within one year.

21. Other loan receivable

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Balance as at beginning of year	**—**	—
Transfer from payment for acquisition of toll road entities *(Note 18)*	**28,206**	—
Exchange realignment	**(6)**	—
Balance as at end of the year	**28,200**	—

Loan receivable represents payment for an option to acquire two toll road entities located in the PRC (Note 18). As the result of the Company decided not to exercise the option during the year, the amount paid became receivable. The amount is secured by 75% equity interest in the Charged Company which owns two PRC entities with two toll roads in the PRC and guaranteed by an independent third party. The Loan Receivable was interest bearing at 5% per annum and repayable on 18 April 2010.

Subsequent to the end of reporting period, the Group was informed that the local government had terminated the operating permit of a toll road in the PRC to a PRC entity which is owned by the Charged Company. Management is liaising with the Borrower on the settlement of the Loan. The Group obtained a legal advice prepared by a PRC legal advisor, which indicate that the PRC entity is entitled to be compensated by the local government in accordance with the operating contract between the local government and the PRC entity.

21. Other loan receivable *(Continued)*

Subsequent to the end of reporting period, the Deed was granted by Mr. Wong to indemnify the Group an amount not exceeding HK$14,000,000 from any loss to be borne by the Group due to any failure of the Borrower to repay the Loan prior to the first anniversary of the date of the Deed.

22. Cash and cash equivalents

At the end of reporting period, the Group's cash and bank balances denominated in Renminbi ("RMB") amounted to HK$337,000 (2008: HK$707,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The carrying amounts of the cash and bank balances approximate their fair values.

23. Trade payables, other payables and accruals

	The Group		**The Company**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**5,186**	1,557	**—**	—
Other payables and accruals	**10,845**	10,022	**2,367**	2,218
	16,031	11,579	**2,367**	2,218

The average credit period from the Group's trade creditors is 60 days (2008: 60 days).

Other payables are non-interest-bearing and have an average term of three months.

23. Trade payables, other payables and accruals *(Continued)*

An ageing analysis of trade payables as at the end of reporting period, based on the invoice date, is as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
1-30 days	**1,609**	841
31-60 days	**1,636**	483
Over 60 days	**1,941**	233
	5,186	1,557

24. Amounts due to shareholders

The amounts due to shareholders were unsecured, interest-free and had no fixed term of repayment.

25. Other loan, unsecured

Other loan was a loan from an entity of which its beneficial shareholder is also a shareholder and share option holder of the Company. The loan was unsecured, interest bearing at 5% per annum and was repayable on demand.

26. Bank borrowings, secured

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Trust receipt loans — secured and repayable on demand or within one year	**2,212**	2,097

The bank loans carry interest at HIBOR over 2% for Hong Kong dollar loans, Japanese Yen loans and Euros loan and LIBOR over 2% for US dollar loans per annum. The range of effective interest rates at 31 December 2009 is 2% to 4% (2008: 3% to 7%).

At 31 December 2009, the Group had available HK$1,743,000 (2008: HK$283,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Certain of the Group's bank loans are secured by the Group's investment property situated in Hong Kong, which had carrying value at the end of the reporting period of approximately HK$7,100,000 (2008: HK$5,300,000) (Note 16).

The amounts of the Group's borrowings that are denominated in currencies other than functional currencies of the relevant Group entities are set out below:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
USD	**—**	476
EUR	**1,283**	187
JPY	**103**	—

27. Obligation under finance lease

At 31 December 2009, the Group had obligation under finance lease repayable as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**54**	164	**49**	148
In the second year	**—**	54	**—**	49
	54	218	**49**	197
Less: Future finance charges	**(5)**	(21)		
Present value of lease obligations	**49**	197		

The Group has policy to lease a motor vehicle under finance lease. The lease term is two years. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligation under finance lease is secured by the lessors' title to the leased assets.

28. Provision

	The Group
	Provision for long service payments
	HK$'000
At 1 April 2008	3,689
Reversal of provision *(Note 9)*	(770)
At 31 December 2008	2,919
Less: amount included under current liabilities	—
Amount shown under non-current liabilities	2,919
At 1 January 2009	2,919
Reversal of provision *(Note 9)*	(783)
At 31 December 2009	2,136
Less: amount included under current liabilities	—
Amount shown under non-current liabilities	2,136

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. According to the Hong Kong Employment Ordinance, the directors have applied the statutory maximum retirement benefits each employee will be entitled in the calculation of long service payments.

29. Deferred taxation

The components of deferred tax (assets)/liabilities recognised in the statement of financial position and the movements during the period/year are as follows:

The Group	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2008	526	(526)	—
(Credited)/charged to statement of comprehensive income *(Note 11)*	(361)	361	—
Effect of change in tax rate	(5)	5	—
At 31 December 2008 and 1 January 2009	160	(160)	—
(Credited)/charged to statement of comprehensive income *(Note 11)*	(69)	69	—
At 31 December 2009	91	(91)	—

Deferred tax balances are presented in the statement of financial position as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Deferred tax assets	**(91)**	(160)
Deferred tax liabilities	**91**	160
	—	—

At 31 December 2009, the Group has unused tax losses of HK$81,490,000 (2008: HK$81,793,000) that are available indefinitely for offsetting against future profits. A deferred tax asset has been recognised in respect of HK$550,000 (2008: HK$968,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$80,940,000 (2008: HK$80,825,000) due to the unpredictability of future profit streams.

At the end of reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is HK$600,000 (2008: HK$985,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

30. Share capital

	2009		2008	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
At beginning of year/period	**248,840,000**	**24,884**	218,840,000	20,013
Issue of shares *(i)*	**—**	**—**	30,000,000	—
At end of year/period	**248,840,000**	**24,884**	248,840,000	24,884

Notes:

(i) On 19 August 2008, the Company has entered into the subscription agreement with the Asian Harvest Enterprises Limited ("Asian Harvest") pursuant to which Asian Harvest has conditionally agreed to subscribe and the Company has conditionally agreed to issue 30,000,000 new shares for a consideration of HK$24,000,000, equivalent to the subscription price of HK$0.8 per subscription share, representing a discount of approximately 6.98% to the closing price of HK$0.86 of the Company's share on 19 August 2008. The subscription of the shares was completed on 3 September 2008. Transaction expenses of HK$54,000 were incurred for issue of shares. The net proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the board of directors on 28 September 2007.

(ii) The shares issued during the prior period ranked pari passu with the then existing shares in all respect.

31. Share option

On 10 September 2002, at the annual general meeting, the Company adopted a share option scheme (the "Option Scheme") under which the board of directors may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies which the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption. By reason of voluntary resignation or by termination of his employment in accordance with the termination provisions of his contract of employment by his employing company, otherwise than on redundancy, or because his employing company ceases to be a member of the Group, all options to the extent not already exercised shall lapse and expiry of the date shall be determined by the directors' discretion.

31. Share option *(Continued)*

The total number of shares which may be issued upon exercised of all options to be granted under the Option Scheme and other schemes of the Group must not in aggregate exceed 10% of the shares in issue upon completion of the share offer and the capitalisation issue of the time dealings in the shares commence on the Stock Exchange unless a fresh approval from the shareholders of the Company has been obtained.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time. The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in twelve-month period must not exceed 1% of the issued share capital of the Company.

Option granted under the Option Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for the shares under the Option Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall not be lower than the highest of: (i) the nominal value of a share; (ii) the closing price of one share as stated in the daily quotation sheets issued by the Stock Exchange on the offer date, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date.

31. Share option *(Continued)*

Details of the share options granted under the Option Scheme to directors of the Company and certain employees and consultants of the Group under the Option Scheme during the year/period and movement in such holding during the year/period are as follows:

	Date of grant	Exercisable period	Exercise price per share	Outstanding at 1 April 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2008	Granted during the year	Outstanding at 31 December 2009
Directors	21.11.2007	21.11.2007 to 20.11.2017	2.334	4,595,640	–	–	(2,188,400)	2,407,240	–	2,407,240
	24.11.2009	24.11.2009 to 23.11.2019	0.67	–	–	–	–	–	4,400,000	4,400,000
Employees	21.11.2007	21.11.2007 to 20.11.2017	2.334	2,694,000	–	–	(2,694,000)	–	–	–
	24.11.2009	24.11.2009 to 23.11.2009	0.67	–	–	–	–	–	200,000	200,000
Consultants	21.11.2007	21.11.2007 to 20.11.2017	2.334	1,094,000	–	–	–	1,094,000	–	1,094,000
				8,383,640	–	–	(4,882,400)	3,501,240	4,600,000	8,101,240

The fair values were calculated using Trinomial Option Pricing Model (the "Model") in the prior year. The inputs into the Model were as follows:

	21 November 2007
Closing share price at the date of grant	HK$2.250
Exercise price	HK$2.334
Expected volatility	81.22%
Option life	10 years
Risk-free rate	3.51%
Expected dividend yield	0%
Fair value per share option	HK$0.4345

Due to the unsuccessful takeover bid on the mining companies in October 2007, the extraordinary volatile period of time was excluded when determining the expected volatility above. Volatility of the underlying Company's share price was estimated by the average annualised standard deviations of the continuously compounded rates of return on the underlying asset's share price quoted by Bloomberg.

31. Share option *(Continued)*

The fair values were calculated by Messrs. Greater China Appraisal Limited, an independent third party. The Model is one of the commonly used models to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on directors' best estimates. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of an option.

The closing price of the shares of the Company on 21 November 2007 immediately before the grant of the share options was HK$2.250 per share.

Upon the cessation of the directorships and employment of the relevant grantees, no (2008: 4,882,400) options were lapsed during the year. Accordingly, HK$ Nil (2008: HK$2,122,000) had been transferred from share options reserve to accumulated losses.

On 24 November 2009, 4,600,000 options were granted and their estimated fair values were HK$1,318,000 which were recognised as equity-settled share-based payment expenses (Notes 9 and 10).

The fair values were calculated using Black-Scholes Model for the year. The inputs into the Model were as follows:

	24 November 2009
Closing share price at the date of grant	HK$0.670
Exercise price	HK$0.670
Expected volatility	55.37%
Option life	10 years
Risk-free rate	1.33%
Expected dividend yield	0%
Fair value per share option	HK$0.2865

Volatility of the underlying Company's share price was estimated by the historical volatilities of the Company over the expected option period as input for the Black-Scholes Model as extracted from Bloomberg.

The fair values were calculated by Messrs. Roma Appraisals Limited, an independent third party. The Black-Scholes Model is one of the commonly used models to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on directors' best estimates. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of an option.

The closing price of the shares of the Company on 24 November 2009 immediately before the grant of the share options was HK$0.670 per share.

No options were exercised during the year.

32. Reserves

The nature and purpose of each reserve are set out below.

(a) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(b) Share options reserve

This reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible parties.

(c) Property revaluation reserve

This has been set up and is dealt with in accordance with the accounting policy in Note 4(c).

(d) Translation reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(e) Call options reserve

This reserve represents cash received from placees in connection with call options granted to placees to subscribe Company's shares upon exercise of the call options (Note 33).

(f) Contributed surplus

The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to a group reorganisation implemented during the year ended 31 March 2000.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to owners of the Company. However, a company cannot declare or pay dividends, or make a distribution out of contributed surplus, if:

(1) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(2) the realisable value of the Company's assets would thereby be less than the aggregate of its issued share capital and share premium account.

32. Reserves *(Continued)*

(g) Reserves of the Company

	Share premium HK$'000 *(Note 32(a))*	Call options reserve HK$'000 *(Note 32(e))*	Share options reserve HK$'000 *(Note 32(b))*	Contributed surplus HK$'000 *(Note 32(f))*	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008	49,507	11,337	3,643	32,051	(59,971)	36,567
Issue of shares	21,000	—	—	—	—	21,000
Share issue expenses	(54)	—	—	—	—	(54)
Share options lapsed	—	—	(2,122)	—	2,122	—
Comprehensive income for the period	—	—	—	—	(26,760)	(26,760)
At 31 December 2008 and 1 January 2009	70,453	11,337	1,521	32,051	(84,609)	30,753
Issue of share options *(Note 31)*	—	—	1,318	—	—	1,318
Call options lapsed *(Note 33)*	—	(11,337)	—	—	11,337	—
Comprehensive income for the year	—	—	—	—	(23,157)	(23,157)
At 31 December 2009	70,453	—	2,839	32,051	(96,429)	8,914

33. Call options

On 25 September 2007, the Company issued to independent placees 40,026,000 call options at an option issue price of HK$0.1 for each option. The option period is 18 months commencing from the date of granting of the options. Upon exercise of each option the placees will be able to subscribe for one share of par value HK$0.10 each in the Company at an initial subscription price of HK$2.80. A sum representing 10% of the subscription price has been received by the Company from the placees upon signing of the options agreements as deposit and partial payment of the subscription price for the subscription shares which is non-refundable. The proceeds of issue of call options, including the non-refundable deposits received, of HK$11,607,000 was credited to the call options reserve. Transaction expenses of HK$270,000 were incurred for the issue of call options.

During the year, all the 40,026,000 call options expired and no options were exercised (2008: Nil). The entire call option reserves of HK$11,337,000 as at the date of expiry was transferred to accumulated losses.

34. Capital commitments

In prior period, the Group entered into a deed in respect of the proposed acquisition of 75% equity interests of two companies established in the PRC which principally engage in toll road business as further detailed in Note 18 to the financial statements. Up to the date of expiry of the Option on 31 July 2009, the Group did not exercise the option for acquisition of the two toll road entities.

35. Operating lease arrangements

The Group as lessee

Significant leasing arrangement in respect of the Group's motor vehicle classified as being held under finance lease is described in Note 27.

Apart from these leases, the Group is the lessee in respect of a number of office premises and retail shops held under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every 2 years to reflect market rentals/fixed over the terms of the lease.

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Minimum lease payments under operating leases recognised as an expense in the year/period	**29,996**	24,345
Contingent rental payments	**444**	502
	30,440	24,847

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**22,516**	23,464
After one year but within five years	**20,132**	13,940
	42,648	37,404

The above lease commitments only include commitments for basic rentals and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying pre-determined percentages to future sales less the basis rentals of the respective leases, as it is not possible to determine in advance the amount of such additional rental.

35. Operating lease arrangements *(Continued)*

The Group as lessor

At the end of reporting period, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**180**	240
After one year but within five years	**—**	180
	180	420

36. Related party transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) The remuneration of directors as disclosed in Note 10 to the financial statements.

(b) Details of the balance with Mr. Wong Pak Lam, Louis, a controlling shareholder and a director of the Company, as at 31 December 2009 are set out in Note 24.

(c) Details of the balance with Asian Harvest Enterprises Limited, a shareholder of the Company, as at 31 December 2009 are set out in Note 24.

37. Major non-cash transaction

(a) In the prior period, the Group entered into a new finance lease arrangement in respect of, property, plant and equipment with a total capital value at the inception of the lease of HK$518,000.

(b) During the year, an amount of HK$28,200,000 was reclassified from "Payment for acquisition of toll road entities" to "Other loan receivable" as further detailed in Notes 18 and 21.

38. Capital risk management

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes other loan and borrowings as disclosed in Notes 25 and 26, amounts due to shareholders as disclosed in Note 24, cash and bank balance and equity attributable to owners of the Company, comprising share capital, reserves and accumulated losses as disclosed in Notes 30 and 32.

The Group's risk management reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the management's recommendations, the Group will balance its overall capital structure through the payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

During the year ended 31 December 2009 and nine months ended 31 December 2008, the Group's strategy was to continue to maintain a gearing ratio of the range 3% to 30%.

The gearing ratios of the Group as at 31 December 2009 and 31 December 2008 were as follows:

	2009	2008
	HK$'000	*HK$'000*
Total debts		
Bank borrowings, secured	**2,212**	2,097
Other loan, unsecured	**4,500**	—
Amounts due to shareholders	**16,300**	—
Obligation under finance lease	**49**	197
Total debts	**23,061**	**2,294**
Non-current assets	**18,671**	46,055
Current assets	**59,413**	30,707
Total assets	**78,084**	**76,762**
Gearing ratio	**29%**	3%

39. Financial risk management

The main risks arising from the Groups' financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

Credit risk arises from cash and bank balances, as well as trade receivables of royalty fee income and other loan receivables. Impairment provisions are made for losses that have been incurred at the end of reporting period. The credit risk on liquid funds is limited because the counterparties are banks with good reputation. The Group mitigates its exposure to risks relating to trade receivables by its established procedures in granting credit only to customers with sound credit track records. Sales to retail customers are settled in cash or using major credit cards. No credit limits were exceeded during the reporting period, and management does not expect any impairment losses. Other loan receivable was indemnified by the controlling shareholder of the Company with an amount not exceeding HK$14,000,000 (Note 18). The remaining loan receivable represents the Group's maximum exposure to credit risk in relation to the Group's other receivable.

The Group has no significant concentration of credit risk. The carrying amount of trade receivables of royalty fee income represents the Group's maximum exposure to credit risk in relation to the Group's trade receivables.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay.

39. Financial risk management *(Continued)*

(b) Liquidity risk *(Continued)*

The Group	Carrying amount	Total contractual undiscounted cash flow	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2009						
Trade payables, other payables and accruals	16,031	16,031	9,945	5,186	900	—
Amounts due to shareholders	16,300	16,300	16,300	—	—	—
Other loan, unsecured	4,500	4,500	—	4,500	—	—
Bank borrowings, secured	2,212	2,241	—	2,241	—	—
Obligation under finance lease	49	54	—	41	13	—
	39,092	39,126	26,245	11,968	913	—
31 December 2008						
Trade payables, other payables and accruals	11,579	11,579	9,122	1,557	900	—
Bank borrowings, secured	2,097	2,124	—	2,124	—	—
Obligation under finance lease	197	218	—	41	123	54
	13,873	13,921	9,122	3,722	1,023	54

The Company	Carrying Amount	Total contractual undiscounted cash flow	On demand	Less than 3 months
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2009				
Other payables and accruals	**2,367**	**2,367**	**2,367**	**—**
Other loans, unsecured	**4,500**	**4,500**	**—**	**4,500**
Amounts due to shareholders	**16,300**	**16,300**	**16,300**	**—**
	23,167	**23,167**	**18,667**	**4,500**
31 December 2008				
Other payables and accruals	2,218	2,218	2,218	—
Amounts due to subsidiaries	365	365	365	—
	2,583	2,583	2,583	2,583

39. Financial risk management *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from short-term borrowings and obligation under finance lease. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Company's interest rate profile as monitored by management is set out below.

The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances and secured bank loans as set out in Notes 22 and 26, respectively. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") arising from the Group's foreign currencies denominated borrowings.

At 31 December 2009, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation and accumulated losses by HK$11,000 (2008: HK$11,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2008.

(d) Currency risk

The Group is exposed to currency risk primarily through purchases, trade payables and secured bank borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euros, United States dollars and Renminbi.

All the Group's borrowings are denominated in the functional currency of the entity taking out the loan or, in the case of Group entities whose functional currency is Hong Kong dollars, in either Hong Kong dollars or United States dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings. The Group also transact in currencies other than its functional currencies such as Euros and Renminbi. In terms of the absolute amount is not significant, management considered that the exposure is manageable and does not utilise any forward contracts, currency borrowings or other means to hedge against its foreign currency exposure.

The following table details the Group's and the Company's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

39. Financial risk management *(Continued)*

(d) Currency risk *(Continued)*

The Group	Financial assets 2009 HK$'000	Financial assets 2008 HK$'000	Finance liabilities 2009 HK$'000	Finance liabilities 2008 HK$'000
Renminbi ("RMB")	**625**	1,032	**1,530**	1,446
Euros ("EUR")	**157**	41	**1,706**	721
United States Dollars ("USD")	**—**	—	**3,538**	476

The Company	Financial assets 2009 HK$'000	Financial assets 2008 HK$'000	Financial liabilities 2009 HK$'000	Financial liabilities 2008 HK$'000
Renminbi ("RMB")	**—**	—	**—**	737

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Given that the exchange rate between USD and HKD is pegged and the exposure is considered insignificant, the following only details the Group's sensitivity to a 5% increase and decrease in HKD against EUR and RMB. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in HKD/EUR and RMB exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation at the period end for a 5% change in foreign currency rate. A 5% strengthening of HKD against EUR and RMB will decrease loss for the year by HK$64,000 (2008: HK$53,000), and vice versa.

(e) Price risk

The Group is not exposed to any equity securities risk or commodity price risk.

(f) Fair values and fair value estimations

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 31 December 2008.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

40. Summary of financial assets and financial liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2009 and 31 December 2008 may be categorised as follows:

	2009	2008
	HK'000	*HK'000*
Financial assets		
Loans and receivables (including cash and bank balances)	**42,361**	14,679
Financial liabilities		
Financial liabilities measured at amortised cost	**39,092**	13,873

41. Event after the reporting period

(a) On 16 April 2010, the Company entered into the Subscription Agreement with the Subscriber to subscribe, in condition, the amount of Convertible Debentures as specified by the Company in written draw-down notice(s) to the Subscriber. Written notices to be served by the Company are in the nomination of HK$1,000,000 each and the aggregate principal amount of the Convertible Debentures will not exceed HK$25,000,000, bear interest at 3% and due on 7 November 2011. On 22 April 2010, the Group had drawn down an amount of HK$10,000,000.

(b) On 22 April 2010, Mr Wong granted the Deed to the Group. Pursuant to which Mr. Wong will indemnify the Group of an amount of not exceeding HK$14,000,000 for any loss as a result of any failure of the Borrower to repay the outstanding Loan prior to the first anniversary of the date of the Deed.