THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred any of your shares in the Golife Concepts Holdings Limited, you should at once hand this circular, together with the enclosed proxy form, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

GoLife

Golife Concepts Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8172)

(1) VERY SUBSTANTIAL ACQUISITION; (2) ISSUE OF SECURITIES TO A CONNECTED PERSON; (3) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION IN RESPECT OF THE PROVISION OF FINANCIAL ASSISTANCE TO A CONNECTED PERSON; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser

大華證券(香港)有限公司
GRAND CATHAY SECURITIES (HONG KONG) LIMITED

A letter from the Board (as defined herein) is set out on pages 11 to 42 of this circular. A letter from Independent Financial Adviser (as defined herein) is set out on pages 45 to 56 of this circular.

A notice convening the EGM (as defined herein) to be held at the conference room located at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 16 February 2009 at 4:30 p.m. is set out on pages 270 to 273 of this circular. Whether or not you are able to attend and/or vote at the EGM (as defined herein) in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queens's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (as defined herein) or any adjournment thereof (as the case may be). The completion and delivery of proxy will not preclude you from subsequently attending and voting in person at the EGM (as defined herein) or any adjournment thereof (as the case may be) should you so wish. This circular will remain on the GEM (as defined herein) website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its posting.

23 January 2009

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

"Acquisition"	the proposed acquisition of the Sale Shares and Sale Loans in accordance with the Sale and Purchase Agreement
"Acquisition Completion"	completion of the sale and purchase of the Sale Shares and the Sale Loans in accordance with the terms and conditions of the Sale and Purchase Agreement
"Announcement"	the announcement dated 8 December 2008 in respect of among others, the Acquisition, the Proposed Increase in Authorised Share Capital, the issue of securities to a connected person, provision of financial assistance to a connected person and the issue of convertible bonds
"associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"BA Conversion Shares"	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the BA Convertible Bonds
"BA Convertible Bonds"	the zero coupon convertible bonds in maximum aggregate principal amount of HK$100 million to be issued by the Company to the Subscriber in five tranches of HK$20 million each due on the tenth anniversary of the date of issue for such tranche of the Subscription pursuant to the Subscription Agreement during the Subscription Period
"Beijing Jianguo (BVI)"	Beijing Jianguo Real Estate Development Co., Ltd., a company incorporated in the BVI and a wholly-owned subsidiary of Shinhan-Golden
"Board"	the board of directors of the Company
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"BVI"	the British Virgin Islands
"Chen"	Ms. Chen Peng (陳萍), a PRC citizen and owner of 51% registered capital of the CJV Partner

"Chen Undertaking"	an undertaking dated 3 July 2003 as supplemented by a supplemental undertaking dated 7 November 2003 by Chen in relation to the transfer of 51% of the registered capital in the CJV Partner
"China Star"	China Star Investment Holdings Limited, a company incorporated in Bermuda and the issued shares of which are listed on the Main Board of the Stock Exchange
"CJV Partner"	上海昇平文化發展有限公司, a company organised and existing under the laws of the PRC
"CJV Partner's Corporate Guarantee"	the corporate guarantee to be executed by the Company in favour of Riche in respect of the CJV Partner's Loan
"CJV Partner's Loan"	the debt in a principal sum of HK$374,677,812 owed by the CJV Partner to Riche as at the date of the Sale and Purchase Agreement
"Codes"	The Hong Kong Codes on Takeovers and Mergers
"Company"	Golife Concepts Holdings Limited, a company incorporated in the Cayman Island with limited liability whose issued Shares are listed on GEM
"Completion Accounts"	collectively the unaudited consolidated balance sheet of the Shinhan-Golden Group as at the date of the Acquisition Completion and the unaudited profit and loss accounts of the Shinhan-Golden Group for the period commencing from 1 January 2008 to the date of the Acquisition Completion and the unaudited consolidated balance sheet of the World East Group as at the date of the Acquisition Completion and the unaudited consolidated profit and loss accounts of World East Group for the period commencing from 1 January 2008 to the date of the Acquisition Completion
"connected person"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the consideration of HK$211,466,310 payable by the Purchaser to Riche for the Acquisition and to be satisfied in the manner as described in this circular

"CS Consideration Shares"	117,691,940 new Shares to be allotted and issued to Riche at the Issue Price and credited as fully paid subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement
"CS Conversion Shares"	the new Shares to be allotted and issued upon conversion of the CS Convertible Bond
"CS Conversion Period"	the period commencing from the date of issue of CS Convertible Bond up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the maturity date
"CS Conversion Price"	the initial conversion price of HK$0.05 per CS Conversion Share (subject to adjustment) pursuant to the terms of the CS Convertible Bond
"CS Convertible Bond"	a convertible bond in the principal amount of HK$100 million to be issued by the Company in favour of Riche pursuant to the Sale and Purchase Agreement
"CSE"	China Star Entertainment Limited, a company incorporated in Bermuda and the issued shares of which are listed on the Main Board of the Stock Exchange
"CSE Conversion Shares"	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the CSE Convertible Bonds
"CSE Convertible Bonds"	the zero coupon convertible bonds in maximum aggregate principal amount of HK$60 million to be issued by the Company to CSE in five tranches of HK$12 million each due on the tenth anniversary of the date of issue for such tranche of the CSE Subscription pursuant to the CSE Subscription Agreement during the CSE Subscription Period
"CSE Subscription"	the subscription of the CSE Convertible Bonds by CSE by five tranches pursuant to the terms of the CSE Subscription Agreement
"CSE Subscription Agreement"	the subscription agreement dated 26 November 2008 entered into between the Company and CSE in relation to the subscription and issue of the CSE Convertible Bonds

"CSE Subscription Period"	the period of five years commencing from the date of the extraordinary general meeting of the Company approving the CSE Subscription Agreement, being the period for subscription of the CSE Convertible Bonds
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Acquisition, the allotment and issue of CS Consideration Shares, the issue of CS Convertible Bond and the CS Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the CS Convertible Bond, the issue of Promissory Note, the issue of the Settlement Convertible Bond and the Settlement CB Convertible Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Settlement Convertible Bond, the provision of CJV Partner's Corporate Guarantee and the proposed annual caps for each of the three financial years ending 31 December 2011 in respect of the CJV Partner's Corporate Guarantee
"Enlarged Group"	the Group as enlarged by the Acquisition upon Acquisition Completion
"Fund Raising Exercise"	a fund raising exercise to be conducted by the Company raising a net proceeds of not less than HK$9,500,000 by way of (i) an open offer to holders of issued Shares for subscription of up to a maximum of 279,681,928 new Shares on the basis of every two new Shares for five issued Shares at a subscription price of HK$0.05 per new Share as disclosed in the announcement of the Company dated 28 November 2008; (ii) a placing of 53,000,000 new Share at a placing price of HK$0.075 per new Share pursuant to the general mandate granted to the Directors as disclosed in the announcement of the Company dated 28 November 2008; and (iii) such other fund raising activities as Riche may approve in writing

"GEM"	Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hang Seng Guarantee"	the guarantee dated 11 September 2006 executed by China Star in favour of Hang Seng Bank Limited, Fuzhou Branch in respect of the indebtedness of the JV Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board, comprising the independent non-executive Directors Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky, and Ms. Chio Chong Meng for the purpose of advising Independent Shareholders in relation to the issue of the Settlement Convertible Bond and the provision of the CJV's Corporate Guarantee
"Independent Financial Adviser" or "Grand Cathay"	Grand Cathay Securities (Hong Kong) Limited, a licensed corporation permitted to engage in type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
"Independent Shareholders"	Shareholders other than Riche and its associates
"Independent Third Party"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of and not connected with any directors, chief executives or substantial shareholders of the Company and its subsidiaries or any of their respective associates
"Issue Price"	HK$0.05 per CS Consideration Share
"JV Company"	北京莎瑪房地產開發有限公司 (formerly known as 北京建國房地產開發有限公司), a company organised and existing under the laws of the PRC
"Last Trading Day"	18 November 2008, being the last trading day for the Shares before the date of the Announcement

"Latest Practicable Date"	21 January 2009, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein
"Liao"	Mr. Liao Miao-yuan (賴淼源), a PRC citizen and owner of 49% registered capital of the CJV Partner
"Liao Undertaking"	an undertaking dated 3 July 2003 as supplemented by a supplemental undertaking dated 7 November 2003 by Liao in relation to the transfer of 49% of the registered capital in the CJV Partner
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Open Offer"	the proposed open offer on the terms set out in the announcement of the Company dated 28 November 2008
"Other Convertible Bonds"	collectively (i) the convertible bond of HK$3,200,000 conferring rights to convert a total of 36,363,636 Shares on the basis of an adjusted conversion price of HK$0.088 per Share (subject to adjustment); (ii) the convertible bonds in an aggregate principal amount of HK$35,000,000 conferring rights to convert a total of 301,724,137 Shares on the basis of an adjusted conversion price of HK$0.116 per Share (subject to adjustment); and (iii) the convertible bond of HK$7,000,000 conferring rights to convert a total of 60,344,827 Shares on the basis of an adjusted conversion price of HK$0.116 per Share (subject to adjustment)
"Placing"	placing of 53,000,000 new Shares pursuant to the terms of the Placing Agreement, details of which has been disclosed in the announcement of the Company dated 28 November 2008
"Placing Agreement"	the conditional placing agreement entered into between the Company and Kingston Securities Limited dated 19 November 2008 in relation to the Placing
"PRC"	the People's Republic of China

"Promissory Note"	the promissory note to be issued by the Company for a principal sum of HK$100,000,000 for the purpose of settling part of the Consideration
"Property"	the property, excluding 17 apartment units and 13 carparking spaces located at Inner Jiangguo Gate of Dongcheng District, Beijing, the PRC (currently known as No. 9 Gongyaun Xijie, Dongcheng District, Beijing, the PRC)
"Proposed Increase in Authorised Share Capital"	the proposed increase in the authorised share capital of the Company from HK$100,000,000 divided into 2,000,000,000 Shares to HK$1,500,000,000, divided into 30,000,000,000 Shares by the creation of 28,000,000,000 new Shares
"Purchaser"	Mega Shell Services Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
"Riche"	Riche (BVI) Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of China Star
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 26 November 2008 entered into among the Purchaser, Riche and the Company in relation to the sale and purchase of the Sale Shares and the Sale Loans
"Sale Loans"	collectively, the Shinhan-Golden Sale Loan and WE Sale Loan
"Sale Shares"	collectively, the Shinhan-Golden Sale Shares and WE Sale Share
"Settlement CB Conversion Shares"	the new Shares to be allotted and issued upon conversion of the Settlement Convertible Bond

"Settlement CB Conversion Price"	the conversion price at which the Settlement Convertible Bond is to be converted into Settlement CB Conversion Shares, which, subject to the adjustments as set out in the Settlement CB Instrument as if the same taking effect from the date of the Acquisition Completion to the date immediately before the issue date of the Settlement Convertible Bond mutatis mutandis, shall be initially HK$0.05 per each Settlement CB Conversion Shares
"Settlement CB Instrument"	the instrument pursuant to which the Settlement Convertible Bond shall be constituted and issued
"Settlement Convertible Bond"	the ten years 3% coupon convertible bond with a face value of such sum as equivalent to the then outstanding CJV Partner's Loan (translated into Hong Kong dollars at the prevailing exchange rate between Hong Kong dollar and RMB as quoted by the Hongkong and Shanghai Banking Corporation) to be issued by the Company pursuant to the Sale and Purchase Agreement, which shall be convertible into Settlement CB Conversion Shares at the Settlement CB Conversion Price
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of the Company
"Share Options"	options grants under the Share Option Scheme
"Share Option Scheme"	the share option scheme of the Company adopted on 6 March 2002
"Shareholder(s)"	holder(s) of Shares
"Shinhan-Golden"	Shinhan-Golden Faith International Development Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of Riche
"Shinhan-Golden Group"	collectively Shinhan-Golden, the JV Company and Beijing Jianguo (BVI)

"Shinhan-Golden Sale Loan"	all obligations, liabilities and debts owing or incurred by Shinhan-Golden to Riche on or at any time prior to Acquisition Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Acquisition Completion. As at 31 October 2008, Shinhan-Golden is indebted to Riche in the sum of HK$45,933,722
"Shinhan-Golden Sale Shares"	9,500,000 issued shares of par value of US$1.00 in the share capital of Shinhan-Golden, representing the entire issued share capital of Shinhan-Golden
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Brilliant Arts Multi-Media Holding Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
"Subscription"	the subscription of the BA Convertible Bonds by the Subscriber by five tranches of HK$20 million each pursuant to the terms of the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 26 November 2008 entered into between the Company and the Subscriber in relation to the subscription and issue of the BA Convertible Bonds
"Subscription Period"	the period of five years commencing from the date of the extraordinary general meeting of the Company approving the Subscription Agreement, being the period for subscription of the BA Convertible Bonds
"Target Group"	collectively Shinhan-Golden, World East and their respective subsidiaries
"World East"	World East Investments Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of Riche
"World East Group"	collectively World East and the CJV Partner

"WE Sale Loan"	all obligations, liabilities and debts owing or incurred by World East to Riche on or at any time prior to Acquisition Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Acquisition Completion. As at 31 October 2008, World East is indebted to Riche in the sum of HK$744,776
"WE Sale Share"	one issued share of par value of US$1.00 in the share capital of World East, representing the entire issued share capital of World East
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximately exchange rate of RMB1.00 to HK$1.1368. This exchange rate is adopted for the purpose of illustration only and do not constitutes a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate at all.

Golife Concepts Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8172)

Executive Directors:
Ms. Gouw San Bo Elizabeth
Mr. Lai Hok Lim
Mr. Lee Chan Wah

Non-executive Director:
Mr. Duncan Chiu

Independent non-executive Directors:
Mr. Yip Tai Him
Mr. Law Yiu Sang, Jacky
Ms. Chio Chong Meng

Registered office:
Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681 GT
Grand Cayman, KY1-1111
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong:
Unit 1611, 16/F.
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

23 January 2009

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION;
(2) ISSUE OF SECURITIES TO A CONNECTED PERSON;
(3) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION IN RESPECT OF THE PROVISION OF FINANCIAL ASSISTANCE TO A CONNECTED PERSON;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

On 26 November 2008, the Board announced;

(i) the Proposed Increase in Authorised Share Capital;

(ii) the Company and the Subscriber entered into the Subscription Agreement in respect of the issue of the BA Convertible Bonds in an aggregate principal amount of HK$100 million in five tranches of HK$20 million each due on the date falling on the tenth anniversary of the date of issue of the relevant tranche of the BA Convertible Bonds;

(iii) the Company and CSE entered into the CSE Subscription Agreement in respect of the issue of the CSE Convertible Bonds in an aggregate principal amount of HK$60 million in five tranches of HK$12 million each due on the date falling on the tenth anniversary of the date of issue of the relevant tranche of the CSE Convertible Bonds; and

(iv) the Company and the Purchaser entered into the Sale and Purchase Agreement with Riche pursuant to which the Purchaser has conditionally agreed to acquire and Riche has conditionally agreed to sell the Sale Shares and the Sale Loans for a total consideration of HK$211,466,310 subject to adjustment.

The circular containing information regarding, among other things, (i) the Proposed Increase in Authorised Share Capital; (ii) the Subscription Agreement and the transaction contemplated thereunder including the issue of the BA Convertible Bonds, the allotment and issue of the BA Conversion Shares upon exercise of the conversion rights attaching to the BA Convertible Bonds; (iii) the CSE Subscription Agreement and the transaction contemplated thereunder including the issue of the CSE Convertible Bonds, the allotment and issue of the CSE Conversion Shares upon exercise of the conversion rights attaching to the CSE Convertible Bonds; and (iv) the notice of extraordinary general meeting to be held to approve the above transactions has been despatched to Shareholders on 23 December 2008.

The purpose of this circular is to provide you with further information regarding, among other things, (i) the Acquisition and the transactions contemplated thereunder including the allotment and issue of the CS Consideration Shares, the issue of the CS Convertible Bond, the issue of the Promissory Note, the issue of the Settlement Convertible Bond, the provision of the CJV Partner's Corporate Guarantee and the proposed annual caps for each of the three financial years ending 31 December 2011 in respect of the CJV Partner's Corporate Guarantee; (ii) the letter of advice from the Independent Board Committee; (iii) the letter of advice to the Independent Board Committee and Independent Shareholders from the Independent Financial Adviser; (iv) the financial information of the Shinhan-Golden Group and the World East Group; together with (v) a notice of EGM.

VERY SUBSTANTIAL ACQUISITION

Date of the Sale and Purchase Agreement: 26 November 2008

Parties:	(1)	Vendor	:	Riche
	(2)	Purchaser	:	Mega Shell Services Limited
	(3)	Guarantor	:	The Company

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of Riche and its ultimate beneficial owner is a third party independent of and not connected with the Company and any of its connected persons as defined under the GEM Listing Rules. Riche is an investment holding company.

The Company has guaranteed to Riche the due and punctual performance of the Purchaser of its obligations under the Sale and Purchase Agreement.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and Riche has conditionally agreed to sell the Sale Shares and the Sale Loans, which amount to approximately HK$46,678,498 as at 31 October 2008.

As at 31 October 2008, Shinhan-Golden and World East are indebted to Riche in the sum of HK$45,933,722 and HK$744,776 respectively. The Sale Loans are interest-free, unsecured and have no fixed terms of repayment.

Consideration

The Consideration, subject to adjustment, for the sale and purchase of the Sale Shares and Sale Loans shall be satisfied at Acquisition Completion by the Purchaser in the following manner:

(a) HK$5,884,597 by procuring the Company to allot and issue 117,691,940 CS Consideration Shares credited as fully paid to Riche;

(b) HK$100,000,000 by procuring the Company to issue the CS Convertible Bond to Riche;

(c) subject to the adjustment as provided in the Sale and Purchase Agreement, HK$5,581,713 shall be payable in cash by the Purchaser to Riche; and

(d) HK$100,000,000 by procuring the Company to issue the Promissory Note.

The Consideration for the Sale Shares and the Sale Loans was agreed between Riche and the Purchaser after arm's length negotiations after considering the preliminary valuation of the Property of approximately RMB800,000,000 as at 31 October 2008 conducted by an independent professional valuer. A formal valuation report on the Property is set out in appendix VIII in the circular pursuant to the GEM Listing Rules. As such, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In the event the Sale Loans as disclosed in the Completion Accounts exceed HK$46,678,498, the cash payable by the Purchaser to Riche as part of the Consideration shall be increased by the difference between the Sale Loans and HK$46,678,498. There is no cap on the increased amount in relation to the difference between the Sale Loans and HK$46,678,498. However, it is expected that substantial increase is unlikely.

In the event the Sale Loans as disclosed in the Completion Accounts are less than HK$46,678,498, the cash payable by the Purchaser to Riche as part of the Consideration shall be decreased by the difference between the Sale Loans and HK$46,678,498.

The cash portion of the Consideration will be funded by the net proceeds obtained from the Open Offer and the Placing.

Conditions precedent

Completion shall be conditional upon and subject to:

(a) the Purchaser being satisfied in its absolute discretion with the results of the due diligence review of the assets, liabilities, operations and affairs of Shinhan-Golden and its subsidiaries, World East and the CJV Partner as the Purchaser may reasonably consider appropriate;

(b) the passing by the shareholders of China Star eligible to vote and not required to be abstained from voting under the Listing Rules at a special general meeting of China Star to be convened and held of an ordinary resolution(s) to approve:

  (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and

  (ii) the financial assistance provided by China Star to the JV Company under the Hang Seng Guarantee and the transactions contemplated thereunder;

(c) the passing by the Shareholders eligible to vote and not required to be abstained from voting under the GEM Listing Rules at the EGM to be convened and held of ordinary resolution(s) to approve:

(i) the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the CS Consideration Shares, the issue of the Promissory Note, the issue of the CS Convertible Bond and the allotment and issue of the CS Conversion Shares upon conversion of the CS Convertible Bond and the issue of the Settlement Convertible Bond and the allotment and issue of the Settlement CB Conversion Shares upon conversion of the Settlement Convertible Bond);

(ii) if necessary, the increase of authorised share capital of the Company to such amount as shall allow the Company to allot and issue the CS Consideration Shares, the CS Conversion Shares and the Settlement CB Conversion Shares; and

(iii) the CJV Partner's Corporate Guarantee and the transactions contemplated thereunder including the annual caps thereof;

(d) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the CS Consideration Shares, the CS Conversion Shares and the Settlement CB Conversion Shares;

(e) the obtaining of a valuation report (in the form and substance satisfactory to the Purchaser) from a valuer appointed by the Purchaser showing the value of the Property to be not less than RMB800,000,000;

(f) completion of the Fund Raising Exercise by the Company;

(g) the obtaining of a legal opinion issued by PRC lawyers instructed by the Purchaser in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, the title to the Property, the Chen Undertaking and the Liao Undertaking;

(h) the obtaining of all such necessary consent, release and discharge of Hang Seng Bank Limited, Fuzhou Branch in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder subject to such conditions as required by Hang Seng Bank Limited, Fuzhou Branch as neither Riche nor the Purchaser may reasonably object;

(i) if necessary, the relevant government or monetary authority granting consent to the allotment and issue of the CS Consideration Shares, the CS Conversion Shares and the Settlement CB Conversion Shares; and

(j) without prejudice to paragraphs (h) and (i) above, all such necessary approval, consents or waiver from relevant government or regulatory authorities in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

All of the conditions, except the condition (a) above which the Purchaser may waive, are not waivable under the Sale and Purchase Agreement. If the conditions have not been satisfied and/or waived on or before 31 May 2009, or such later date as Riche and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, the conditions (c)(ii), (e) and (f) had been fulfilled.

The Acquisition, the allotment and issue of CS Consideration Shares, the issue of the CS Convertible Bond to Riche, the issue of the Settlement Convertible Bond to Riche and the entering into of the CJV Partner's Corporate Guarantee are conditional upon the Proposed Increase in Authorised Share Capital while the Acquisition, the allotment and issue of CS Consideration Shares, the issue of the CS Convertible Bond to Riche, the issue of the Settlement Convertible Bond to Riche and the entering into of the CJV Partner's Corporate Guarantee are inter-conditional.

The issue of the BA Convertible Bonds and the issue of the CSE Convertible Bonds are conditional upon the Proposed Increase in Authorised Share Capital while the issue of the BA Convertible Bonds and the issue of the CSE Convertible Bonds are not inter-conditional and both issue of the BA Convertible Bonds and the CSE Convertible Bonds are not inter-conditional upon the Acquisition, the allotment and issue of the CS Consideration Shares, the issue of the CS Convertible Bond to Riche, the issue of the Settlement Convertible Bond to Riche and the entering into of the CJV Partner's Corporate Guarantee.

Completion

Completion shall take place at 4:00 p.m. on the date falling three Business Days after the fulfilment (or waiver) of the conditions or such later date as may be agreed between Riche and the Purchaser.

The Purchaser has agreed and undertaken to Riche that within one month after the date of Acquisition Completion the Purchaser shall procure the Company to appoint such person as nominated by Riche from time to time as an executive Director. This is a nomination right of Director given to Riche. However, the appointment of new Director is a matter for consideration and decision by the Board. In considering any new Director (including the person nominated by Riche), the Board will take into account the skills, qualification, working experience, professional knowledge, leadership and personal integrity of the candidates. These factors will also apply in relation to the appointment of the Director nominated by Riche.

Other important terms

Heng Sang Guarantee

As at the date of the Sale and Purchase Agreement, China Star has provided a guarantee to Hang Seng Bank Limited, Fuzhou Branch in respect of the JV Company's indebtedness, being a loan facility in an outstanding principal sum of RMB281,288,388 (or approximately HK$319,769,000). The said loan facility is for a term of five years commencing from 11 September 2006 with a fixed repayment schedules by nine instalments. RMB30,000,000 (or approximately HK$34,104,000) had been repaid by three instalments in September 2007, March 2008 and September 2008.

Pursuant to the Sale and Purchase Agreement, Riche has undertaken with the Purchaser that Riche shall procure China Star to maintain the Hang Seng Guarantee to remain in full force and effect in all respect until the Hang Seng indebtedness are discharged, repaid or settled in full absolutely.

Upon Acquisition Completion, Riche will be allotted and issued the CS Consideration Shares, representing approximately 20.36% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the CS Consideration Shares. As such, Riche will become a substantial Shareholder and China Star is the holding company of Riche. As a result, China Star is a connected person of the Company. The provision of the Hang Seng Guarantee by China Star to secure the JV Company's indebtedness thus constitutes a continuing connected transaction on the part of the Company. However, as the provision of the Hang Seng Guarantee by China Star is a financial assistance provided by a connected person for the benefit of the Company on a term better to the Company and no security over any assets of the Company is granted by the Company to China Star in respect of the provision of the Hang Seng Guarantee, such continuing connected transaction constitutes an exempted connected transaction under Rule 20.65 of the GEM Listing Rules.

Issue of Settlement Convertible Bond and provision of CJV Partner's Corporate Guarantee

As at the date of the Sale and Purchase Agreement, the CJV Partner owed to Riche a debt in a sum of HK$374,677,812, which said sum was interest-free, unsecured and has no fixed term of repayment.

Under the Sale and Purchase Agreement, for the purpose of repayment of the CJV Partner's Loan, the Purchaser has agreed and undertaken with Riche that the Purchaser shall procure the Company to issue the Settlement Convertible Bond on the day falling on the fifth anniversary of the date of Acquisition Completion to Riche if any part of the CJV Partner's Loan have not been settled. Riche has agreed that upon the issue of the Settlement Convertible Bond to Riche, all CJV Partner's Loan then remaining outstanding shall be deemed to have been repaid and satisfied in full by the CJV Partner. Also, as part of security to Riche for the CJV Partner's Loan, the Company will provide the CJV Partner's Corporate Guarantee to Riche upon Acquisition Completion for a term of maximum of three financial years of the Company ending 31 December 2011.

For reasons stated in the paragraph headed "Hang Seng Guarantee" above, Riche will become a connected person of the Company. As such, the issue of the Settlement Convertible Bond to Riche and the provision of the CJV Partner's Corporate Guarantee to Riche will constitute a connected transaction and a continuing connected transaction respectively on the part of the Company and therefore will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Also, the provision of the CJV Partner's Corporate Guarantee will constitute a major transaction on the part of the Company. Riche and its associates, if any, will abstain from voting on the resolutions to be proposed in relation to the issue of the Settlement Convertible Bond and the provision of the CJV Partner's Corporate Guarantee at the EGM.

As the amount of the CJV Partner's Corporate Guarantee exceeds 8% under the asset ratio as defined under Rule 19.07(1) of the GEM Listing Rules, details of the CJV Partner's Corporate Guarantee are also disclosed below in this letter from the Board pursuant to Rule 17.18 of the GEM Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to consider the terms of the Settlement Convertible Bond and the CJV Partner's Corporate Guarantee and the transactions contemplated thereunder. Grand Cathay has been appointed as independent financial adviser by the Independent Board Committee to advise the Independent Board Committee and Independent Shareholders in this respect.

The Directors consider that the issue of the Settlement Convertible Bond and the provision of the CJV Partner's Corporate Guarantee are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

TERM OF CJV PARTNER'S CORPORATE GUARANTEE

The principal terms of the CJV Partner's Corporate Guarantee are summarised below:

Parties:	(1) The Company as guarantor in favour of (2) Riche as lender
Subject matter:	Under the CJV Partner's Corporate Guarantee, the Company will agree to guarantee in favour of Riche the obligations, liabilities and indebtedness under the CJV Partner's Loan.
Cap:	The annual caps of the CJV Partner's Corporate Guarantee for each of the three financial years ending 31 December 2011 will be HK$374,677,812, the maximum outstanding amount of CJV Partner's Loan, respectively.

Term:	The CJV Partner's Corporate Guarantee will be from the date of Acquisition Completion up to (a) the obligations, liabilities and indebtedness under the CJV Partner's Loan have been fully paid and satisfied; (b) the Company shall have duly performed and discharged its obligations and liabilities thereunder; or (c) 31 December 2011, whichever is the earlier.

TERMS OF SETTLEMENT CONVERTIBLE BOND

The principal terms of the Settlement Convertible Bond are summarised below:

Issuer:	The Company
Principal amount:	Equivalent to the then outstanding CJV Partner's Loan, being a maximum of HK$374,677,812 assuming no part of the CJV Partner's Loan is being repaid
Date of issue and the conditions precedent for its issue:	On the date falling on the fifth anniversary of the date of Acquisition Completion if any part of the CJV Partner's Loan is outstanding
Maturity:	A fixed term of ten years from the date of issue the Settlement Convertible Bond. Unless previously redeemed, converted or cancelled, the Company shall redeem the outstanding principal amount of the Settlement Convertible Bond at its then outstanding principal amount, inclusive of interest accrued on the maturity date.
Interest:	3% per annum, payable quarterly in arrears
Redemption:	The Company may at any time upon the date of issue and before the maturity date of the Settlement Convertible Bond, by serving at least seven days' prior written notice on the bondholder(s) with the total amount proposed to be redeemed from the bondholder(s) specified therein, redeem the Settlement Convertible Bond at par.

Settlement CB Conversion Price: The Settlement CB Conversion Price is initially HK$0.05 per Settlement CB Conversion Share (subject to adjustment as per the adjustment mechanism set out in Settlement CB Instrument (i) from the date of the Acquisition Completion to the date immediately before the issue date of the Settlement Convertible Bond; and (ii) from the date of issue of the Settlement Convertible Bond). The adjustments are subject to review by the Company's auditors. The adjustments for the Settlement CB Conversion Price include the followings:

(i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a capital distribution being made by the Company, whether on a reduction or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) or rights to acquire for cash assets of the Company or any of its subsidiaries;

(iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);

(v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 90% of the market price on the date of announcement of the terms of the issue of such securities;

(vi) an issue of Shares wholly for cash at a price per Share which is less than 90% of the market price on the date of announcement of the terms of such issue; and

(vii) an issue of Shares for acquisition of assets at a total effective consideration per Share which is less than 90% of the market price on the date of the announcement of the terms of such issue.

The initial Settlement CB Conversion Price represents (i) a discount of approximately 18.03% to the closing price of HK$0.061 per Share as quoted on GEM on the Last Trading Day; (ii) a discount of approximately 43.82% to the average of the closing prices of HK$0.089 per Share as quoted on GEM for the last five trading days up to and including the Last Trading Day; (iii) a discount of approximately 53.23% to the average of the closing prices of HK$0.1069 per Share as quoted on GEM for the last ten trading days up to and including the Last Trading Day; and (iv) a premium of approximately 56.25% over the closing price of HK$0.032 per Share as quoted on GEM on the Latest Practicable Date.

Settlement CB Conversion Shares:

Assuming (i) there is no repayment on any part of the CJV Partner's Loan; and (ii) there is an immediate exercise in full of the conversion rights attaching to the Settlement Convertible Bond at the initial Settlement CB Conversion Price by the bondholder(s), the Company will allot and issue an aggregate of 7,493,556,240 new Shares, which is the maximum number of Shares to be issued, representing approximately 1,627.27% of the issued share capital of the Company as at the Latest Practicable Date.

The Settlement CB Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM.

Conversion:

The bondholder(s) may at any time from the date of issue of the Settlement Convertible Bond up to 4:00 p.m. (Hong Kong time) immediately prior to and exclusive of the maturity date convert the whole or part (in multiples of HK$1,000,000) of the principal amount of the Settlement Convertible Bond into new Shares at the Settlement CB Conversion Price.

	Provided that any conversion of the Settlement Convertible Bond (i) does not trigger a mandatory offer obligation under Rule 26 of the Codes on the part of the bondholder(s) and their respective concerted parties which exercised the conversion right; and (ii) will not cause the public float of the Company unable to meet the requirement under the GEM Listing Rules, the bondholder(s) shall have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Settlement Convertible Bond into the Settlement CB Conversion Shares.
Transferability:	The bondholder(s) may only assign or transfer the Settlement Convertible Bond to the transferee subject to the consent of the Company. The Company has undertaken to the Stock Exchange that it will promptly notify the Stock Exchange upon becoming aware of any dealings in the Settlement Convertible Bond by any connected person of the Company.
Ranking:	The Settlement CB Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue on the date of the allotment and issue of the Settlement CB Conversion Shares.
Status of Settlement Convertible Bond:	The Settlement Convertible Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.
Voting rights:	The Settlement Convertible Bond does not confer any voting rights at any meetings of the Company.
Application for listing:	No application will be made by the Company for listing of the Settlement Convertible Bond. Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Settlement CB Conversion Shares.

TERMS OF CS CONVERTIBLE BOND

The principal terms of the CS Convertible Bond have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer:	The Company
Principal amount:	HK$100 million
Maturity:	A fixed term of ten years from the date of issue the CS Convertible Bond. Unless previously redeemed, converted or cancelled, the Company shall redeem the outstanding principal amount of the CS Convertible Bond on the maturity date.
Interest:	The CS Convertible Bond does not carry any interest.
Redemption:	The Company may at any time upon the date of issue and before the maturity date of the CS Convertible Bond, by serving at least seven days' prior written notice on the bondholder(s) with the total amount proposed to be redeemed from the bondholder(s) specified therein, redeem the CS Convertible Bond at par.
CS Conversion Price:	The CS Conversion Price is initially HK$0.05 per CS Conversion Share (subject to adjustment). The adjustments are subject to review by the Company's auditors. The adjustments for the CS Conversion Price include the followings: (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision; (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a capital distribution being made by the Company, whether on a reduction or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) or rights to acquire for cash assets of the Company or any of its subsidiaries;

(iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);

(v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 90% of the market price on the date of announcement of the terms of the issue of such securities;

(vi) an issue of Shares wholly for cash at a price per Share which is less than 90% of the market price on the date of announcement of the terms of such issue; and

(vii) an issue of Shares for acquisition of assets at a total effective consideration per Share which is less than 90% of the market price on the date of the announcement of the terms of such issue.

The CS Conversion Price represents (i) a discount of approximately 18.03% to the closing price of HK$0.061 per Share as quoted on GEM on the Last Trading Day; (ii) a discount of approximately 43.82% to the average of the closing prices of HK$0.089 per Share as quoted on GEM for the last five trading days up to and including the Last Trading Day; (iii) a discount of approximately 53.23% to the average of the closing prices of HK$0.1069 per Share as quoted on GEM for the last ten trading days up to and including the Last Trading Day; and (iv) a premium of approximately 56.25% over the closing price of HK$0.032 per Share as quoted on GEM on the Latest Practicable Date.

CS Conversion Shares:	Assuming there is an immediate exercise in full of the conversion rights attaching to the CS Convertible Bond at the CS Conversion Price by the bondholder(s), the Company will allot and issue an aggregate of 2,000,000,000 new Shares, which is the maximum number of Shares to be issued, representing approximately 434.31% of the issued share capital of the Company as at the Latest Practicable Date. The CS Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM.
Conversion:	The bondholder(s) may at any time during the CS Conversion Period convert the whole or part (in multiples of HK$1,000,000) of the principal amount of the CS Convertible Bond into the CS Conversion Shares at the CS Conversion Price. Provided that any conversion of the CS Convertible Bond (i) does not trigger a mandatory offer obligation under Rule 26 of the Codes on the part of the bondholder(s) and their respective concerted parties which exercised the conversion right; and (ii) will not cause the public float of the Company unable to meet the requirement under the GEM Listing Rules, the bondholder(s) shall have the right at any time during the CS Conversion Period to convert the whole or part of the outstanding principal amount of the CS Convertible Bond into the CS Conversion Shares.
Transferability:	The bondholder(s) may only assign or transfer the CS Convertible Bond to the transferee subject to the consent of the Company. The Company has undertaken to the Stock Exchange that it will promptly notify the Stock Exchange upon becoming aware of any dealings in the CS Convertible Bond by any connected person of the Company.
Ranking:	The CS Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue on the date of the allotment and issue of the CS Conversion Shares.

Status of CS Convertible Bond:	The CS Convertible Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.
Voting rights:	The CS Convertible Bond does not confer any voting rights at any meetings of the Company.
Application for listing:	No application will be made by the Company for listing of the CS Convertible Bond. Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the CS Conversion Shares.

TERMS OF PROMISSORY NOTE

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Parties:	The Company as issuer and Riche as payee
Principal amount:	HK$100 million
Maturity:	A fixed term of five years from the date of issue of the Promissory Note. If the Company defaults in repayment on the maturity date of any part of the principal sum, the Company shall pay interest on such overdue sum from the maturity date until payment in full (before and after judgment) at the rate of 10% per annum.
Interest:	The Promissory Note will not carry any interest.

Early repayment:	Provided that the Company has given to Riche not less than ten Business Days' prior notice in writing of its intention to repay any part of the outstanding principal amount of the Promissory Note, the Company may at any time from the date of the issue of the Promissory Note up to the date immediately prior to the maturity date, repay the entire Promissory Note or any part of it (in amounts of not less than HK$1,000,000) by payment to Riche of the outstanding principal amount of the Promissory Note save that if at that time, the outstanding principal amount of the Promissory Note is less than HK$1,000,000, the whole (but not part only) of the Promissory Note may be repaid.
Assignment:	The Promissory Note may, subject to the ten Business Days' prior written notice to the Company, be transferred or assigned by Riche to any person. The Company will issue an announcement and inform the Stock Exchange if the Promissory Note is transferred or assigned to the connected persons of the Company.

TERMS OF CS CONSIDERATION SHARES

117,691,940 CS Consideration Shares will be allotted and issued at an issue price of HK$0.05 per CS Consideration Share, credited as fully paid. The CS Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the CS Consideration Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

The CS Consideration Shares represent (i) approximately 42.65% of the issued share capital of the Company as at the date of the Announcement; (ii) approximately 25.56% of the issued share capital of the Company as at the Latest Practicable Date; and (iii) approximately 20.36% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the CS Consideration Shares.

The Issue Price represents (i) a discount of approximately 18.03% to the closing price of HK$0.061 per Share as quoted on GEM on the Last Trading Day; (ii) a discount of approximately 43.82% to the average of the closing prices of approximately HK$0.089 per Share as quoted on GEM for the last five trading days up to and including the Last Trading Day; (iii) a discount of approximately 53.23% to the average of the closing prices of HK$0.1069 per Share as quoted on GEM for the last ten trading days up to and including the Last Trading Day; and (iv) a premium of approximately 56.25% over the closing price of HK$0.032 per Share as quoted on GEM on the Latest Practicable Date.

Application for listing

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the CS Consideration Shares.

Issue under specific mandate

The CS Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM.

INFORMATION ON THE TARGET GROUP

The Sale Shares comprise the entire issued share capital of Shinhan-Golden and World East. Shinhan-Golden is an investment holding vehicle which holds 96.7% of the registered capital of the JV Company. Shinhan-Golden also owns the entire issued share capital of Beijing Jianguo (BVI), which is a dormant company with no business operation. Except the aforesaid, Shinhan-Golden has no other business.

The remaining 3.3% registered capital of the JV Company is held by the CJV Partner. The CJV Partner is owned as to 49% by Liao and 51% by Chen. Each of Chen and Liao has by an undertaking dated 3 July 2003 as supplemented by a supplemental undertaking dated 7 November 2003 undertaken to World East to transfer their respective interests in the registered capital of the CJV Partner to World East at a price with reference to valuation of such respective registered capital when the laws in the PRC allow foreign investors to own more than 51% in the registered capital of the CJV Partner. As advised by the PRC lawyers, the foreign investment in CJV Partner is not allowed at the moment. No valuation on the respective registered capital of the CJV Partner has been done and therefore the price of transfer of registered capital in the CJV Partner cannot be estimated at this stage. Other than holding the Chen Undertaking and the Liao Undertaking, World East has no other business.

Pursuant to the Chen Undertaking and the Liao Undertaking, the owners of the registered capital of the CJV Partner have undertaken to World East to transfer to World East or its designated entity at a price with reference to valuation on the CJV Partner's registered capital when the laws in the PRC allow foreign investors to own more than 51% in the registered capital of the CJV Partner. As World East has full power to govern the financial and operation policies of the CJV Partner so as to obtain benefits from the CJV Partner, World East has regarded itself to have control over the CJV Partner and the CJV Partner is treated a subsidiary of World East. As a result, the CJV Partner's results are fully consolidated into that of World East.

The JV Company is the registered and beneficial owner of the Property. The Property is situated at No. 9 Gongyuan Xijie, Dongcheng District, Beijing, the PRC. 100 meters away to the south of the Property is Changan Avenue and 300 away to the east is East Second Ring Road. Grade A properties namely China Resources Building, Bright China Chang An Building, Beijing International Hotel, COFCO Plaza and Henderson Centre and No. 6 Gongyuan Xijie are in the vicinity. The Property has been transformed itself from an apartment complex into high-end serviced apartment for rental purpose and presents 208 sophisticated residence with one to three bedroom layouts and duplex suites, a vast clubhouse with sports, recreation and children's facilities and a large private garden. The Property has commenced operation in late June 2008 and is managed by SHAMA, one of the leading providers of boutique serviced apartments in the Hong Kong real estate market and an Independent Third Party.

According to the accountants' report on the Shinhan-Golden Group as shown on appendix III to this circular, the net assets values of the Shinhan-Golden Group were HK$144,537,000, HK$128,106,000, HK$254,425,000 and HK$205,219,000 as at 31 December 2005, 2006, and 2007 and 30 September 2008 respectively. The profit before and after taxation for the year ended 31 December 2005 were HK$46,034,000 and HK$29,240,000 respectively. The loss before and after taxation for the year ended 31 December 2006 were HK$17,923,000 and HK$18,118,000 respectively. The profit before and after taxation for the year ended 31 December 2007 were HK$121,621,000 and HK$108,465,000 respectively. The loss before and after taxation for the nine months ended 30 September 2008 were HK$86,986,000 and HK$66,960,000 respectively.

According to the accountants' report on the World East Group as shown on appendix V to this circular, the net liabilities values of the World East Group as at 31 December 2005 and 2006 were HK$10,705,000 and HK$9,925,000 respectively. The net assets values of the World East Group as at 31 December 2007 and 30 September 2008 were HK$1,562,000 and HK$19,949,000 respectively. The loss before and after taxation for the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008 were both HK$11,979,000, HK$322,000, HK$194,000 and HK$1,110,000 respectively.

REASONS FOR THE ACQUISITION

The Company's principal activity is investment holding. The principal activities of its subsidiaries are distribution of high-end apparel and accessories.

The Directors consider that the Acquisition will provide a good opportunity for the Group to expand its business into property investment in the PRC. Given the Property is located in the centre of Beijing City and there is strong demand for high-end serviced apartments, the Directors foresee that the Property will meet such demand. It is expected that the Acquisition will provide a stable income to the Group and diversify the earning bases of the Group.

As the Property has commenced its operation in late June 2008 and a management company is in place, the Group will immediately record the revenue generated from the Property upon the Acquisition Completion without employing any resources, the Board is of the view that the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Board is of the opinion that the issue price of the CS Consideration Shares, the CS Conversion Price and the Settlement CB Conversion Price are fair and reasonable on the following basis:

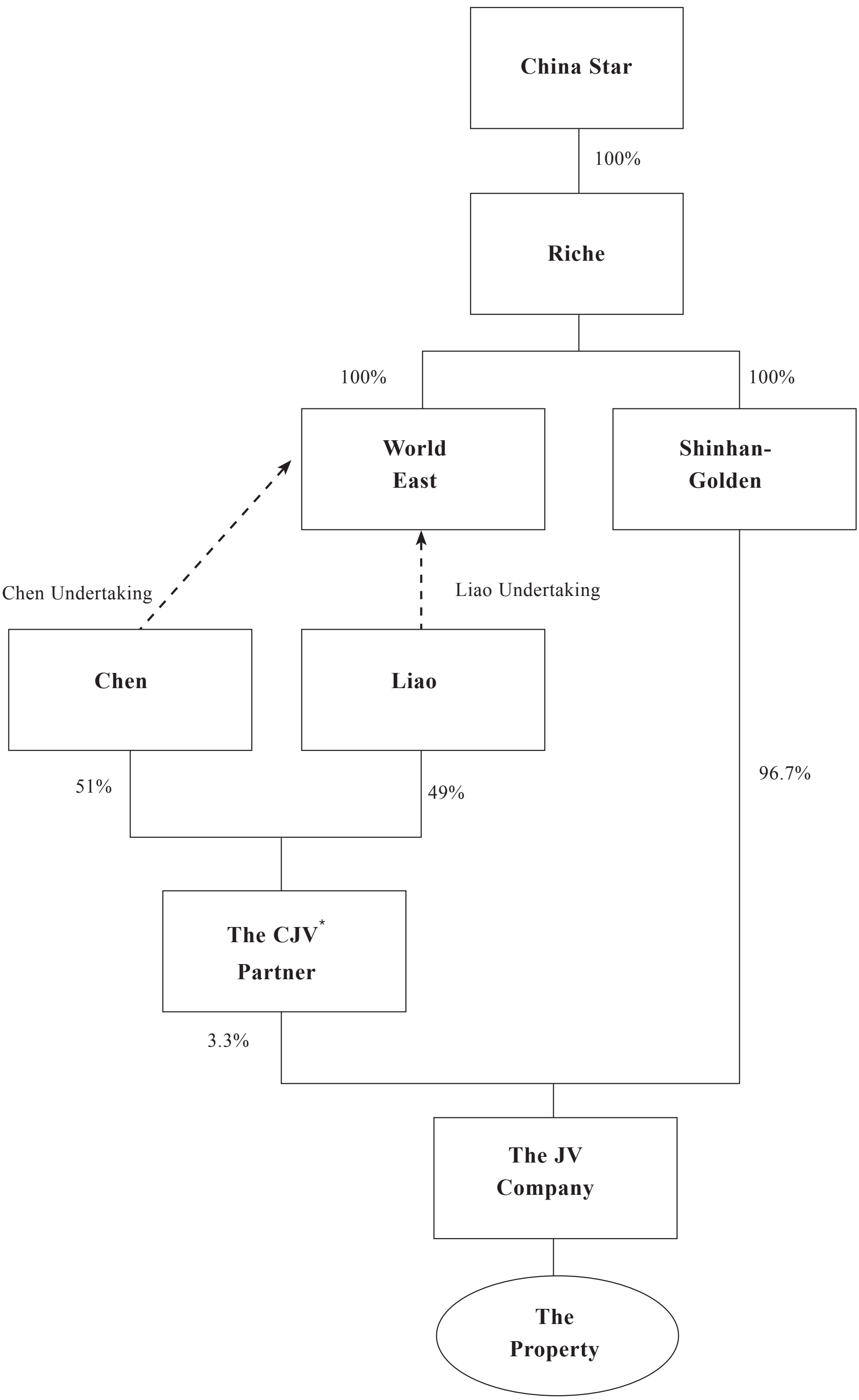
(a) the issue of the CS Consideration Shares, the CS Conversion Price and the Settlement CB Conversion Price represent a discount of approximately 18.03% to the closing price of the Shares on the last trading day prior to the signing of the Sale and Purchase Agreement, which is less than 20%;

(b) the CS Convertible Bond does not carry any interest and the discount on the CS Conversion Price represents the interest components of the respective bonds; and

(c) the CJV Partner's Loan does not carry any interest during the first five years and the discounts on the Settlement CB Conversion Price and the issue price of the CS Consideration Shares represent the interest component of the CJV Partner's Loan for the said five years.

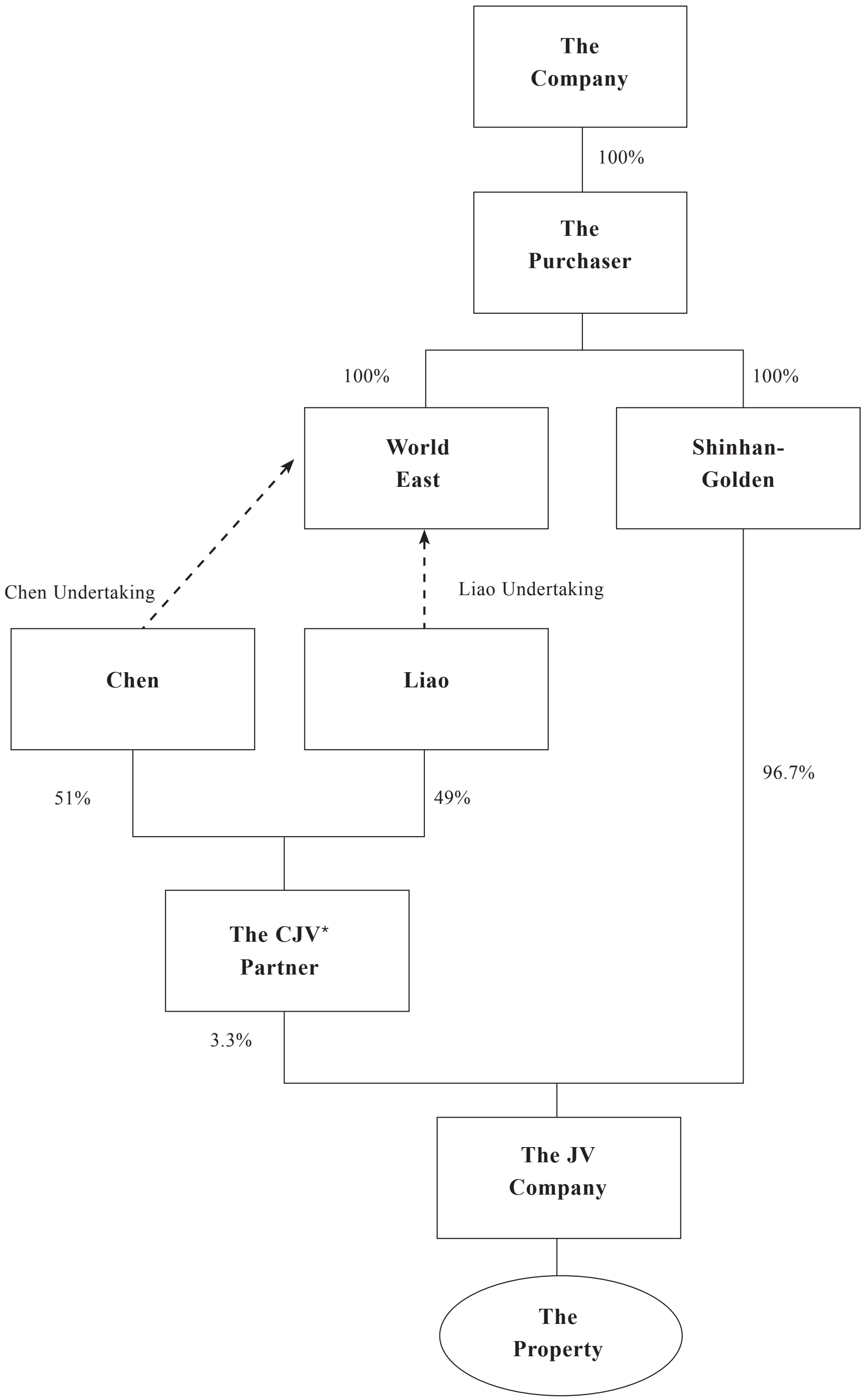
CHANGE OF SHAREHOLDING STRUCTURE OF RELEVANT ENTITIES

The diagram below shows the shareholdings structure of the relevant entities immediately before the Acquisition Completion:



* The CJV Partner is treated as a subsidiary of World East

The diagram below shows the shareholdings structure of the relevant entities immediately after the Acquisition Completion:



* The CJV Partner is treated as a subsidiary of World East

FINANCIAL EFFECT TO THE GROUP

There will not be changed in control of the Company upon the Acquisition Completion.

Upon the Acquisition Completion, Shinhan-Golden, World East, the JV Company, the CJV Partner and Beijing Jianguo (BVI) will become subsidiaries of the Company and their results will be consoidated into the Group.

Net assets

The unaudited consolidated net assets value of the Group as at 31 December 2007 was HK$11,753,000.

As set out in appendix VII to this circular, assuming the Acquisition, the issue of the CS Consideration Shares, the issue of the CS Convertible Bond and the issue of the Promissory Note had been taken place on 31 December 2007, the unaudited pro forma consolidated net assets value of the Enlarged Group as at 31 December 2007 would have been HK$159,912,000.

Earnings

The audited consolidated loss of the Group for the year ended 31 December 2007 was HK$92,240,000.

As set out in appendix VII to this circular, assuming the Acquisition, the issue of the CS Consideration Shares, the issue of the CS Convertible Bond and the issue of the Promissory Note had been taken place on 1 January 2007, the Enlarged Group would have recorded an unaudited pro forma consolidated profit for the year ended 31 December 2007 of HK$66,534,000.

Gearing ratio

As at 31 December 2007, the total borrowings of the Group were HK$15,043,000 and the Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 128%.

The total borrowings of the Enlarged Group would have been increased to HK$807,168,000 assuming the Acquisition, the issue of the CS Consideration Shares, the issue of the CS Convertible Bond and the issue of the Promissory Note had been taken place on 31 December 2007. The gearing ratio of the Enlarged Group would have been 505%.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company's principal activity is investment holding. The principal activities of its subsidiaries are distribution of high-end apparel and accessories.

For the financial year ended 31 December 2007, the Group recorded an audited net loss of approximately HK$92.2 million of which an one-time write-off goodwill of HK$75.6 million and impairment of intangible assets of HK$4.1 million were recognised. The audited net assets value of the Group as at 31 December 2007 was approximately HK$11.8 million. The performance of the Group is still not satisfactory in the current year as the global financial crisis has begun to affect consumer spending in the Greater China Region. For the period ended 30 September 2008, the Group recorded an unaudited net loss of approximately HK$42.5 million of which an one-time losses attributed by the termination of the acquisition of an international brand of accessories and apparels was recorded. With an aim to strengthen the capital base of the Company and raise funds for general working capital of the Group, the Company had issued the convertible bonds of the Company and had proposed to raise fund by way of the Open Offer to the Shareholders during the current year. In addition, the Board has implemented measures to cut down costs as well as scale-down its retail operations. The Board believes that the overall overhead in future can be reduced and it will be in the interests of the Group and the shareholders as well.

As the Property has commenced its operation in late June 2008, the Enlarged Group will be able to record income immediately upon the Acquisition Completion. Supported by the PRC Government's announcement of USD600 billion fiscal stimulus program as well as steeper-than-expected interest rate cuts, the Directors believe that the PRC remains one of the fastest growing emerging countries. Given Beijing is the political and economical center for the PRC and the superb location of the Property, the Directors believe that the Property is able to secure a number of long-term leases from expatriates from multinational companies and foreign government institutions, which lead to a stable income source to the Enlarged Group and an improvement on the Enlarged Group's profitability. Given the Directors' positive outlook of the PRC's economy, the Enlarged Group currently intends to hold the Property as a long-term investment for rental purposes.

Upon the Acquisition Completion, whilst the Enlarged Group will continue to carry out its existing business, the Enlarged Group will carry out property investment business in the PRC via the JV Company.

RELATIONSHIP AMONG CHINA STAR, THE SUBSCRIBER AND CSE

As at the Latest Practicable Date:

1. Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany (the spouse of Mr. Heung Wah Keung) and Mr. Ho Wai Chi, Paul are directors of CSE and China Star;

2. Classical Statue Limited is holding:

   a. 58,360,612 shares in China Star, representing approximately 24.92% of the issued share capital of China Star; and

   b. 10,909,090 shares in the Subscriber, representing approximately 8.68% of the issued share capital of the Subscriber;

   Classical Statue Limited is wholly owned by Glenstone Investments Limited, which in turn is owned as to 60% by Porterstone Limited and as to 40% by Mr. Heung Wah Keung. Porterstone Limited is wholly owned by Ms. Chen Ming Yin, Tiffany;

3. Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany together with their respective associates are collectively interested in 112,866,911 shares in CSE, representing approximately 21.21% of the issued share capital of CSE;

4. on 21 December 2007, a service agreement was entered into between Creative Formula Limited, a wholly-owned subsidiary of the Subscriber, and China Star HK Entertainment Co. Ltd. ("**China Star HK**"), a wholly-owned subsidiary of CSE, and pursuant to which China Star HK shall provide certain services, including the provision of the lead actor for the motion picture to be created by Creative Formula Limited and the procurement to provide professional services in relation to post-production of the film to Creative Formula Limited, for a total consideration of HK$4,500,000 (details of which have been announced in an announcement of the Subscriber dated 28 December 2007); and

5. on 1 August 2007, Legend Rich Limited, a wholly-owned subsidiary of China Star, CSE and China Star entered into a conditional sale and purchase agreement in relation to a proposed acquisition of a 100% interest in Exceptional Gain Profits Limited and a sale loan from CSE at a consideration of HK$447,000,000 satisfied by the issue of a convertible note by China Star. The major asset of Exceptional Gain Profits Limited is its 50% equity interest in Kingsway Hotel (details of which have been announced in an announcement of China Star dated 8 August 2007). The proposed acquisition was terminated on 23 December 2008.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company (1) as at the Latest Practicable Date; (2) after the allotment and issue of CS Consideration Shares; (3) after the allotment and issue of CS Consideration Shares and full conversion of the CS Convertible Bond; (4) after the allotment and issue of CS Consideration Shares and conversion of CS Convertible Bond, which does not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) which exercised the conversion right and their respective concert parties; (5) after the allotment and issue of CS Consideration Shares, full conversion of the CS Convertible Bond and full conversion of the BA Convertible Bonds; (6) assuming the allotment and issue of CS Consideration Shares, conversion of CS Convertible Bond and conversion of BA Convertible Bonds such that conversion of respective bonds do not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) which exercised the conversion right and their respective concert parties; (7) after the allotment and issue of CS Consideration Shares, full conversion of the CS Convertible Bond, full conversion of the BA Convertible Bonds and full conversion of Settlement Convertible Bond; (8) assuming the allotment and issue of CS Consideration Shares, conversion of CS Convertible Bond, conversion of BA Convertible Bonds and conversion of Settlement Convertible Bond such that conversion of the respective bonds do not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) which exercised the conversion right and their respective concert parties; (9) assuming the allotment and issue of CS Consideration Shares, full conversion of CS Convertible Bond, full conversion of BA Convertible Bonds, full conversion of Settlement Convertible Bond and full conversion of CSE Convertible Bonds; (10) assuming the allotment and issue of CS Consideration Shares, conversion of CS Convertible Bond, conversion of BA Convertible Bonds, conversion of Settlement Convertible Bond and conversion of CSE Convertible Bonds such that conversion of respective bonds do not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) which exercised the conversion right and their respective concert parties; (11) assuming the allotment and issue of CS Consideration Shares, full conversion of CS Convertible Bond, full conversion of BA Convertible Bonds, full conversion of Settlement Convertible Bond, full conversion of CSE Convertible Bonds and full conversion of Other Convertible Bonds; and (12) assuming the allotment and issue of CS Consideration Shares, conversion of CS Convertible Bond, conversion of BA Convertible Bonds, conversion of

Settlement Convertible Bond, conversion of CSE Convertible Bonds and conversion of Other Convertible Bonds such that the public float of the Company maintains a minimum of 25% of the issued share capital of the Company are as follows:

Shareholder	As at the Latest Practicable Date *(Note 1)*		After the allotment and issue of CS Consideration Shares		After the allotment and issue of CS Consideration Shares and full conversion of CS Convertible Bond *(Note 2)* (For illustrative purpose only)		After the allotment and issue of CS Consideration Shares and conversion of CS Convertible Bond, which does not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) which exercised the conversion right and their respective concert parties (For illustrative purpose only)		Assuming the allotment and issue of CS Consideration Shares, full conversion of CS Convertible Bond and full conversion of BA Convertible Bonds *(Note 2)* (For illustrative purpose only)	
	No. of Shares	*Approximate percentage*	*No. of Shares*	*Approximate percentage*	*No. of Shares*	*Approximate percentage*	*No. of Shares*	*Approximate percentage*	*No. of Shares*	*Approximate percentage*
Subscriber	—	—	—	—	—	—	—	—	2,000,000,000 *(Note 2)*	43.69 % *(Note 2)*
CSE	—	—	—	—	—	—	—	—	—	—
Riche	—	—	117,691,940	20.36%	2,117,691,940	82.14%	197,262,002	29.99%	2,117,691,940	46.26%
Chan Mei Sau, Teresina *(Note 3)*	—	—	—	—	—	—	—	—	—	—
Win Win Fortune Limited *(Note 6)*	—	—	—	—	—	—	—	—	—	—
Cheung Pui Kay *(Note 7)*	3,500,000	0.76%	3,500,000	0.61%	3,500,000	0.14%	3,500,000	0.53%	3,500,000	0.08%
Chu Yuet Wah *(Note 8)*	13,334,608	2.90%	13,334,608	2.30%	13,334,608	0.52%	13,334,608	2.03%	13,334,608	0.29%
Kingston Securities *(Note 9)*	96,955,673	21.05%	96,955,673	16.77%	96,955,673	3.76%	96,955,673	14.74%	96,955,673	2.11%
Public	346,706,977	75.29%	346,706,977	59.96%	346,706,977	13.44%	346,706,977	52.71%	346,706,977	7.57%
Total	460,497,258	100.00%	578,189,198	100.00%	2,578,189,198	100.00%	657,759,260	100.00%	4,578,189,198	100.00%

Shareholder	Assuming the allotment and issue of CS Consideration Shares, conversion of CS Convertible Bond and conversion of BA Convertible Bonds such that conversion of respective bonds do not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) which exercised the conversion right and their respective concert parties (for illustrative purpose only)		Assuming the allotment and issue of CS Consideration Shares, full conversion of CS Convertible Bond, full conversion of BA Convertible Bonds and full conversion of Settlement Convertible Bond *(Note 2)*(For illustrative purpose only)		Assuming the allotment and issue of CS Consideration Shares, conversion of CS Convertible Bond, conversion of BA Convertible Bonds and conversion of Settlement Convertible Bond such that conversion of the respective bonds do not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) which exercised the conversion right and their respective concert parties (For illustrative purpose only)		Assuming the allotment and issue of CS Consideration Shares, full conversion of CS Convertible Bond, full conversion of BA Convertible Bonds, full conversion of Settlement Convertible Bond and full conversion of CSE Convertible Bonds *(Note 2)*(For illustrative purpose only)		Assuming the allotment and issue of CS Consideration Shares, conversion of CS Convertible Bond, conversion of BA Convertible Bonds, conversion of Settlement Convertible Bond and conversion of CSE Convertible Bonds such that conversion of respective bonds do not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) which exercised the conversion right and their respective concert parties (For illustrative purpose only)		Assuming the allotment and issue of CS Consideration Shares, full conversion of CS Convertible Bond, full conversion of BA Convertible Bonds, full conversion of Settlement Convertible Bond, full conversion of CSE Convertible Bonds and full conversion of Other Convertible Bonds *(Note 2)*(For illustrative purpose only)		Assuming the allotment and issue of CS Consideration Shares, conversion of CS Convertible Bond, conversion of BA Convertible Bonds, conversion of Settlement Convertible Bond, conversion of CSE Convertible Bonds and conversion of Other Convertible Bonds such that the public float of the Company maintains a minimum of 25% of the issued share capital of the Company	
	No. of Shares	*Approximate percentage*	*No. of Shares*	*Approximate percentage*	*No. of Shares*	*Approximate percentage*	*No. of Shares*	*Approximate percentage*	*No. of Shares*	*Approximate percentage*	*No. of Shares*	*Approximate percentage*	*No. of Shares*	*Approximate percentage*
Subscriber	276,107,808	29.99% *(Note 4)*	2,000,000,000	16.57%	184,061,183	19.99% *(Note 5)*	2,000,000,000	15.07%	306,538,135	19.99%	2,000,000,000	14.63%	150,025,378	10.82%
CSE	–	–	–	–	–	–	1,200,000,000	9.04%	459,883,874	29.99%	1,200,000,000	8.78%	150,025,379	10.82%
Riche	184,061,183	19.99% *(Note 4)*	9,611,248,180	79.62%	276,107,808	29.99% *(Note 5)*	9,611,248,180	72.42%	306,538,135	19.99%	9,611,248,180	70.31%	415,909,689	29.99%
Chan Mei Sau, Teresina *(Note 3)*	–	–	–	–	–	–	–	–	–	–	338,087,773	2.47%	150,025,378	10.81%
Win Win Fortune Limited *(Note 6)*	–	–	–	–	–	–	–	–	–	–	34,482,758	0.25%	34,482,758	2.49%
Cheung Pui Kay *(Note 7)*	3,500,000	0.38%	3,500,000	0.03%	3,500,000	0.38%	3,500,000	0.03%	3,500,000	0.23%	29,362,068	0.21%	29,362,068	2.12%
Chu Yuet Wah *(Note 8)*	13,334,608	1.45%	13,334,608	0.11%	13,334,608	1.45%	13,334,608	0.10%	13,334,608	0.87%	13,334,608	0.10%	13,334,608	0.96%
Kingston Securities *(Note 9)*	96,955,673	10.53%	96,955,673	0.80%	96,955,673	10.53%	96,955,673	0.73%	96,955,673	6.32%	96,955,673	0.71%	96,955,673	6.99%
Public	346,706,977	37.66%	346,706,977	2.87%	346,706,977	37.66%	346,706,977	2.61%	346,706,977	22.61%	346,706,977	2.54%	346,706,977	25.00%
Total	920,666,249	100.00%	12,071,745,438	100.00%	920,666,249	100.00%	13,271,745,438	100.00%	1,533,457,402	100.00%	13,670,178,037	100.00%	1,386,827,908	100.00%

Notes:

(1) Please refer to the results of the open offer announcement of the Company dated 8 January 2009.

(2) For illustrative purpose only, such scenario shall never occur. Pursuant to the terms of the CS Convertible Bond, the BA Convertible Bonds, the CSE Convertible Bonds and the Settlement Convertible Bond, conversion of the CS Convertible Bond, the BA Convertible Bonds, the CSE Convertible Bonds, or as the case may be, the Settlement Convertible Bond is restricted that any conversion of the CS Convertible Bond, the BA Convertible Bonds, the CSE Convertible Bonds, or as the case may be, the Settlement Convertible Bond (i) does not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) which exercised the conversion right and their respective concert parties; and (ii) will not cause the public float of the Company unable to meet the requirement under the GEM Listing Rules .

(3) Ms. Chan Mei Sau, Teresina has undertaken not to exercise the conversion rights attaching to the convertible bonds in an aggregate principal amount of HK$38,200,000 if such conversion will cause her shareholding interest in the Company, together with the shareholding interest of the parties acting in concert with her in the Company, equal to or exceed 30% of the Shares in issue following such conversion unless Ms. Chan Mei Sau, Teresina is willing to make a general offer to all Shareholders pursuant to the Hong Kong Code on Takeovers and Mergers.

(4) This is to illustrate the effect of the conversion of BA Convertible Bonds to the largest extent while such conversion is subject to the restriction that any conversion of the BA Convertible Bonds (i) does not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) which exercised the conversion right and their respective concert parties; and (ii) will not cause the public float of the Company unable to meet the requirement under the GEM Listing Rules.

(5) This is to illustrate the effect of the conversion of Settlement Convertible Bond to the largest extent while such conversion is subject to the restriction that any conversion of the Settlement Convertible Bond (i) does not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) which exercised the conversion right and their respective concert parties; and (ii) will not cause the public float of the Company unable to meet the requirement under the GEM Listing Rules.

(6) Win Win Fortune Limited is deemed to be interest in 34,482,758 Shares through its interest in the convertible bonds in the principal amount of HK$4,000,000 issued by the Company.

(7) Mr. Cheung Pui Kay is the beneficial owner of 3,500,000 Shares. Adding the 25,862,068 Shares that he is deemed to be interested through his interest in the convertible bonds in the principal amount of HK$3,000,000 issued by the Company. He is interested in a total of 29,362,068 Shares.

(8) Ms. Chu Yuet Wah is the beneficial owner of 210,000 Shares, 13,124,608 Shares are held by Best China Limited which is wholly and beneficially owned by Ms. Chu Yuet Wah. Adding the 96,955,673 Shares that she is deemed to be interested through Kingston Securities Limited ("Kingston Securities") as stated at note 9 below. Ms. Chu Yuet Wah is deemed to be interested in 110,290,281 Shares.

(9) The Open Offer of 131,570,645 Offer Shares at a price of HK$0.05 per Offer Share on the basis of two Offer Shares for every five existing Shares as detailed in the Company's circular dated 19 December 2008 was completed on 13 January 2009. Pursuant to the terms of the underwriting agreement dated 19 November 2008 of the Open Offer entered into between Kingston Securities and the Company, Kingston Securities had subscribed for the 96,955,673 under-subscribed Offer Shares. Ms. Chu Yuet Wah and Ms. Ma Siu Fung own 51% and 49% interest in Kingston Securities respectively.

DILUTION EFFECT ON SHAREHOLDING

In view of the future dilution to existing Shareholders on the exercise of the conversion rights attached to the CS Convertible Bond, the Settlement Convertible Bond, the BA Convertible Bonds and the CSE Convertible Bonds, the Company will keep Shareholders informed of the level of dilution and details of conversion as follows:

(a) the Company will make a monthly announcement (the "**Monthly Announcement**") on the GEM website. Such announcement will be made on or before the fifth Business Day following the end of each calendar month and will include the following details in a table form:

 (i) whether there is any conversion of such bond(s) during the relevant month. If yes, details of the conversion(s), including the conversion date, number of new Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;

 (ii) the outstanding principal amount of such bond(s) after the conversion, if any;

 (iii) the total number of new Shares issued pursuant to other transactions during the relevant month, including new Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and

 (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month;

(b) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the such bond(s) reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of such bond(s) (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the GEM website including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of such bond(s) (as the case may be), up to the date on which the total amount of Shares issued pursuant to the conversion amounts to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of such bond(s) (as the case may be); and

(c) if the Company forms the view that any issue of conversion shares will trigger the disclosure requirements under Rule 17.10 of the GEM Listing Rules, then the Company is obliged to make such disclosures regardless of the issue of any announcements in relation to such bond(s) as mentioned in (a) and (b) above.

With effect from 1 January 2009, the Company will comply with the GEM Listing Rules and in particular Rule 17.27A and 17.27B of the GEM Listing Rules in relation to the conversion of such bonds in substitution for the Monthly Announcement as referred to in (a) and (b) above.

EGM

Set out pages 270 to 273 of this circular is a notice convening the EGM to be held at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 16 February 2009 at 4:30 p.m. at which the resolutions will be proposed to the Shareholders or Independent Shareholders to consider and, if thought fit, to approve the terms of the Acquisition, the allotment and issue of CS Consideration Shares, the issue of CS Convertible Bond and the CS Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the CS Convertible Bond, the issue of Promissory Note, the issue of the Settlement Convertible Bond and the Settlement CB Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Settlement Convertible Bond, the provision of CJV Partner's Corporate Guarantee and the proposed annual caps for each of the three financial years ending 31 December 2011 in respect of the CJV Partner's Corporate Guarantee and the transactions contemplated thereunder. A form of proxy for use at the EGM is enclosed with this circular, whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not prevent you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish.

All the resolutions proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

WAIVER APPLICATION FROM STRICT COMPLIANCE WITH RULE 7.05(1) OF THE GEM LISTING RULES

Pursuant to Rule 7.05 of the GEM Listing Rules, the accountants' reports to be included in this circular in relation to Acquisition shall comprise three financial years immediately preceding the issue of this circular. The financial year of the Shinhan-Golden Group and the World East Group ends on 31 December.

Given the accountants' reports of the Shinhan-Golden Group and the World East Group for the three years ended 31 December 2007 and for the nine months ended 30 September 2008 as disclosed in appendix III and appendix V to this circular, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 7.05(1) of the GEM Listing

Rules. Such waiver was granted by the Stock Exchange on 21 January 2009, subject to the following conditions: (i) this circular is to be despatched on or before 23 January 2009 and the EGM will be held no later than 16 February 2009; and (ii) the Directors will confirm in this circular that they have performed sufficient due diligence on the Shinhan-Golden Group and the World East Group to ensure that, up to the despatch date of this circular, there has been no material adverse change in the financial position of the Shinhan-Golden Group and the World East Group since 30 September 2008, and that there has been no event since 30 September 2008 which would materially affect the information shown in the accountants' reports of the Shinhan-Golden Group and the World East Group.

The Directors confirmed that, having had performed sufficient due diligence on the Shinhan-Golden Group and the World East Group, up to the despatch date of this circular, there has been no material adverse change in the financial position of the Shinhan-Golden Group and the World East Group since 30 September 2008 which would have material adverse effect on the information shown in the accountants' report on the Shinhan-Golden Group and the World East Group.

The Directors confirm that all the conditions for the grant of waiver have been or will be fulfilled by the Company.

GENERAL

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM. In the event that Riche who has material interest in the Acquisition holds the Shares on the date of the EGM, Riche and its associates will be required to abstain from voting on the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Golife Concepts Holdings Limited
Gouw San Bo, Elizabeth
Chief Executive Officer and Executive Director

Golife Concepts Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8172)

23 January 2009

To the Independent Shareholders,

Dear Sir/Madam,

**ISSUE OF SECURITIES TO A CONNECTED PERSON;
AND
MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION
IN RESPECT OF THE PROVISION OF FINANCIAL ASSISTANCE
TO A CONNECTED PERSON**

We refer to the letter from the Board set out in the circular dated 23 January 2009 (the "Circular") of which this letter forms part. Capitalised terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the issue of Settlement Convertible Bond, the provision of CJV Partner's Corporate Guarantee, the proposed annual caps for each of the three financial years ending 31 December 2011 in respect of the CJV Partner's Corporate Guarantee (the "Annual Caps") (the "Issues") and to advise the Independent Shareholders as to whether the Issues are fair and reasonable and whether the Issue are in the interests of the Company and the Shareholders as a whole and to recommend whether the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Issues and the transactions contemplated thereunder. Grand Cathay has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Issues and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board and the letter from Grand Cathay to the Independent Board Committee and the Independent Shareholders which contains its advice to us and you in relation to the Issues as set out in the Circular.

Having taken into account the principal factors and reasons considered by, and the opinion of, Grand Cathay as stated in their letter of advice as set out on pages 45 to 56 of the circular, we consider the terms of the Settlement Convertible Bond, the CJV Partner's Corporate Guarantee to Riche and the Annual Caps are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Yip Tai Him	**Mr. Law Yiu Sang, Jacky**	**Ms. Chio Chong Meng**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

大華證券(香港)

GRAND CATHAY SECURITIES (HONG KONG) LIMITED
香港中環花園道3號中國工商銀行大廈7樓705至706室
Room 705-706, 7/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
Tel: 852-2521-2982 Fax: 852-2521-0085 www.gcsc.com.tw

23 January 2009

To the Independent Board Committee
and the Independent Shareholders of
Golife Concepts Holdings Limited

Dear Sirs,

ISSUE OF SECURITIES TO A CONNECTED PERSON;
AND
MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION
IN RESPECT OF THE PROVISION OF FINANCIAL ASSISTANCE
TO A CONNECTED PERSON

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders with regard to (i) the terms of the Settlement Convertible Bond; (ii) the provision of the CJV Partner's Corporate Guarantee to Riche; and (iii) proposed annual caps for each of the three financial years ending 31 December 2011 in respect of the CJV Partner's Corporate Guarantee (the "Annual Cap"), details of which are set out in the section headed "Letter from the Board" (the "Letter") in the Company's circular dated 23 January 2009 (the Circular") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 8 December 2008, the Board announced that, on 26 November 2008, the Company entered into the Sale and Purchase Agreement for the Acquisition. Under the Sale and Purchase Agreement, the Purchaser has agreed and undertaken to Riche that the Purchaser shall procure the Company to issue the Settlement Convertible Bond on the day falling on the fifth anniversary of the date of Acquisition Completion to Riche if any part of the CJV Partner's Loan has not been settled. Riche has agreed that upon the issue of the Settlement Convertible Bond to Riche, the CJV Partner's Loan then remaining outstanding shall be deemed to have repaid and satisfied in full by the CJV Partner. As at the date of the Sale and Purchase Agreement, the CJV Partner owed to Riche a debt in a sum of HK$374,677,812.

Also, as part of security to Riche for the CJV Partner's Loan, the Company will provide the CJV Partner's Corporate Guarantee to Riche upon Acquisition Completion for a term of a maximum of three financial years of the Company ending 31 December 2011.

Upon Acquisition Completion, Riche will be allotted and issued CS Consideration Shares, representing approximately 20.36% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the CS Consideration Shares. As such, Riche will become a substantial Shareholder and a connected person of the Company. The issue of the Settlement Convertible Bond to Riche and the provision of the CJV Partner's Corporate Guarantee to Riche therefore constitute a connected transaction and a continuing connected transaction respectively on the part of the Company and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Also, the provision of the CJV Partner's Corporate Guarantee will constitute a major transaction on the part of the Company. Riche and its associates, if any, will abstain from voting on the resolutions to be proposed in relation to the issue of the Settlement Convertible Bond and the provision of the CJV Partner's Corporate Guarantee at the EGM. The vote will be taken by poll.

Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng, being all the independent non-executive Directors, have been appointed by the Board to form the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to how to vote at the EGM on the ordinary resolutions to be proposed regarding (i) the terms of the Settlement Convertible Bond; (ii) the provision of CJV Partner's Corporate Guarantee to Riche; and (iii) the Annual Cap.

Our role as the Independent Financial Adviser is to give our independent opinion to the Independent Board Committee and Independent Shareholders as to:

(i) whether the terms of the Settlement Convertible Bond; the provision of the CJV Partner's Corporate Guarantee to Riche; and the Annual Cap are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole;

(ii) whether the provision of the CJV Partner's Corporate Guarantee to Riche is in the ordinary and usual course of business of the Group after the Acquisition Completion; and

(iii) whether the Independent Shareholders should vote in favour of the issue of the Settlement Convertible Bond, the provision of the CJV Partner's Corporate Guarantee and the Annual Cap.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinion and representations contained or referred to in the Circular and all information, opinion and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information, opinion and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Company and the Directors. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have performed all applicable steps as required under Rule 17.92 of the GEM Listing Rules including the notes thereto. We have relied on such information, opinions and representations but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group or the market in which it operates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of (i) the terms of the Settlement Convertible Bond; (ii) the provision of the CJV Partner's Corporate Guarantee to Riche; and (iii) the Annual Cap, we have considered the following principal factors and reasons:

(1) Reasons for the issue of the Settlement Convertible Bond and provision of the CJV Partner's Corporate Guarantee and the Annual Cap

On 8 December 2008, the Board announced that, on 26 November 2008, the Company entered into the Sale and Purchase Agreement for the Acquisition. The CJV Partner, which is one of the group members in the Target Group, owed to Riche a debt in a sum of HK$374,677,812 as at the date of the Sale and Purchase Agreement.

As discussed with the Directors, the CJV Partner's Loan, which was regarded as the intra-group debts by Riche, was interest-free, unsecured and with no fixed term of repayment. In view of the above, the Directors have therefore procured the Purchaser to agree and undertake with Riche under the Sale and Purchase Agreement that the Purchaser shall procure the Company to issue the Settlement Convertible Bond on the day falling on the fifth anniversary of the date of Acquisition Completion to Riche if any part of the CJV Partner's Loan has not been settled. Riche has agreed that upon the issue of the Settlement Convertible Bond to Riche, the CJV Partner's Loan then remaining outstanding shall be deemed to have repaid and satisfied in full by the CJV Partner.

As detailed in the Letter, the Settlement Convertible Bond will have a fixed term of ten years from the date of issue and is redeemable at any time before its maturity date. The Directors consider that such settlement arrangement will provide the Enlarged Group with financial flexibility for a maximum of 15 years in the course of repayment of the CJV Partner's Loan owed to Riche as a result of the Acquisition. In addition, the Directors are of the view that despite the potential dilution effect to the Shareholders, the Enlarged Group can improve its gearing ratio and financial position in the event that the Settlement Convertible Bond has been converted into Settlement CB Conversion Shares. Based on the above, we concur with the Directors' view and consider that the issue of the Settlement Convertible Bond is in the interest of the Company and its Shareholders as a whole.

As part of security to Riche for the CJV Partners' Loan, the Company will provide the CJV Partner's Corporate Guarantee to Riche upon Acquisition Completion. The CJV Partner's Corporate Guarantee will be from the date of Acquisition Completion up to (a) the obligations, liabilities and indebtedness under the CJV Partner's Loan have been fully paid and satisfied; (b) the Company shall have duly performed and discharged its obligations and liabilities thereunder; or (c) 31 December 2011, whichever is earlier.

As discussed in the previous paragraph, the CJV Partner's Loan, which was regarded as the intra-group debts by Riche, was interest-free, unsecured and with no fixed term of repayment. We consider it was commercially justifiable that the Company to provide a security to Riche under the Sale and Purchase Agreement as the CJV Partner's Loan was unsecured and interest-free.

As the CJV Partner's Corporate Guarantee and the Annual Cap was limited to HK$374,677,812 for a term of maximum of three financial years of the Company ending 31 December 2011, we consider that the CJV Partner's Corporate Guarantee to Riche and the Annual Cap are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the provision of the CJV Partner's Corporate Guarantee is in the ordinary and usual course of business of the Enlarged Group after the Acquisition Completion.

(2) The key terms of the Settlement Convertible Bond

As set out in the Letter, the Directors consider that the Settlement CB Conversion Price is fair and reasonable based on the following basis:

(a) the initial Settlement CB Conversion Price represents a discount of approximately 18.03% to the closing price of the Shares on the Last Trading Date prior to the signing of the Sale and Purchase Agreement, which is less than 20%; and

(b) the CJV Partners' Loan does not carry any interest during the first five years and the discounts on the initial Settlement CB Conversion Price represents the interest component of the CJV Partner's Loan for the said five years.

In assessing the fairness and reasonableness of the terms of the Settlement Convertible Bond (including the initial Settlement CB Conversion Price of HK$0.05), we have identified, on a best effort basis, the issue of convertible bonds (the "CB Comparables") announced during the period (the "Review Period") from 9 June 2008 up to 8 December 2008 (being the date of the announcement) by companies listed on the Stock Exchange. We believe that the terms of the CB Comparables can reflect the prevailing market sentiments in the Review Period. Therefore, we consider the review on the CB Comparables is appropriate in assessing the fairness and reasonableness of the terms of the Settlement Convertible Bond (including the initial Settlement CB Conversion Price of HK$0.05). The table below demonstrates our relevant findings:

CB Comparables	**Date of announcement**	**Coupon interest**	**Premium/(discount) of conversion price over/to the closing price as at the last trading day**
		(%)	*(%)*
China Best Group Holding Limited (Stock code: 370)	3/12/2008	0.0	31.58
Brightoil Petroleum (Holdings) Limited (Stock code: 933)	30/11/2008	0.0	3.79

CB Comparables	Date of announcement	Coupon interest	Premium/(discount) of conversion price over/to the closing price as at the last trading day
		(%)	*(%)*
Dragon Hill Wuling Automobile Holdings Limited (Stock code: 305)	28/11/2008	6.0	12.12
Global Flex Holdings Limited (Stock code: 471)	28/11/2008	0.0	194.10
Paradise Entertainment Limited (Stock code: 1180)	27/11/2008	8.0	14.29
Rontex International Holdings Limited (Stock code: 1142)	14/11/2008	0.0	42.86
Celestial Asia Securities Holdings Limited (Stock code: 1049)	11/11/2008	2.0	14.90
Melco LottVentures Limited (Stock code: 8198)	7/11/2008	0.1	37.94
Lo's Enviro-Pro Holdings Limited (Stock code: 309)	3/11/2008	0.0	82.35
Argos Enterprise (Holdings) Limited (Stock code: 8022)	15/10/2008	1.0	32

CB Comparables	Date of announcement	Coupon interest	Premium/(discount) of conversion price over/to the closing price as at the last trading day
		(%)	*(%)*
Unity Investments Holdings Limited (Stock code: 913)	9/10/2008	0.0	(5.71)
China Solar Energy Holdings Limited (Stock code: 155)	3/10/2008	N/A *(Note)*	0.00
Intelli-Media Group (Holdings) Limited (Stock code: 8173)	3/10/2008	3.0	69.21
Radford Capital Investments Limited (Stock code: 901)	29/9/2008	0.0	(9.09)
Melco LottVentures Limited (Stock code: 8198)	28/9/2008	0.1	27.05
Gay Giano International Group Limited (Stock code: 686)	26/9/2008	2.0	38.5
Sun Innovation Holdings Limited (Stock code: 547)	26/9/2008	5.0	12.90
Rising Development Holdings Limited (Stock code: 1004)	25/9/2008	0.0	(13.04)
WLS Holdings Limited (Stock code: 8021)	22/9/2008	8.0	300.00

CB Comparables	Date of announcement	Coupon interest *(%)*	Premium/(discount) of conversion price over/to the closing price as at the last trading day *(%)*
Neolink Cyber Technology (Holdings) Limited (Stock code: 8116)	17/9/2008	0.0	33.33
China Fortune Holdings Limited (Stock code: 110)	5/9/2008	0.0	133.33
China Chief Cable TV Group Limited (Stock code: 8153)	2/9/2008	2.0	0.22
China Water Industry Group Limited (Stock code: 1129)	20/8/2008	0.0	2.13
Dore Holdings Limited (Stock code: 628)	14/8/2008	7.0	109.1
Champion Technology Holdings Limited (Stock code: 92)	13/8/2008	1.0	17.2
GCL-Poly Energy Holdings Limited (Stock code: 3800)	11/8/2008	0.0	5.10
A&K Educational Software Holdings Limited (Stock code: 8053)	7/8/2008	0.0	23.00

CB Comparables	Date of announcement	Coupon interest	Premium/(discount) of conversion price over/to the closing price as at the last trading day
		(%)	*(%)*
Asia Orient Holdings Limited (Stock code: 214)	7/8/2008	4.0	4.00
SRE Group Limited (Stock code: 1207)	1/8/2008	4.5	13.6
Suncorp Technologies Limited (Stock code: 1063)	25/7/2008	0.5	(28.06)
Polyard Petroleum International Group Limited (Stock code: 8011)	25/7/2008	0.0	(2.9)
Zhongda International Holdings Limited (Stock code: 909)	24/7/2008	0.0	252.90
New Smart Energy Group Limited (Stock code: 91)	22/7/2008	0.0	90.84
Era Information & Entertainment Limited (Stock code: 8043)	16/7/2008	1.0	2.94
ProSticks International Holdings Limited (Stock code: 8055)	15/7/2008	1.0	(1.67)
Tiger Tech Holdings Limited (Stock code: 8046)	15/7/2008	0.0	(67.3)

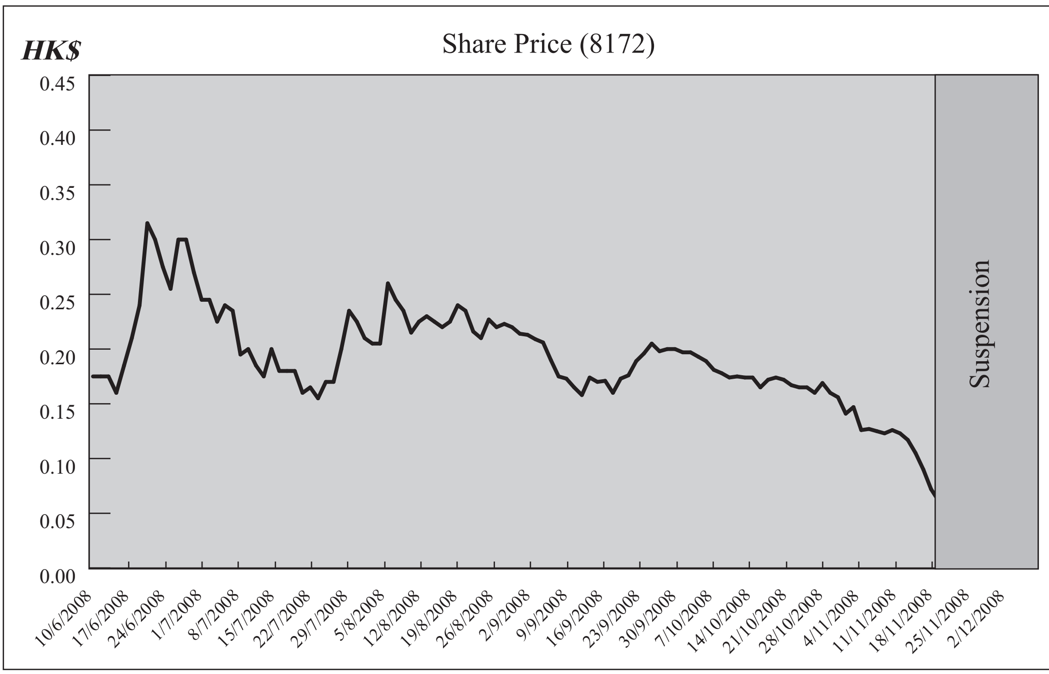
CB Comparables	Date of announcement	Coupon interest	Premium/(discount) of conversion price over/to the closing price as at the last trading day
		(%)	*(%)*
BM Intelligence International Limited (Stock code: 8158)	14/7/2008	0.0	(90.32)
Bestway International Holdings Limited (Stock code: 718)	9/7/2008	0.0	(3.60)
Golife Concepts Holdings Limited (Stock code: 8172)	9/7/2008	0.0	(37.50)
Benefun International Holdings Limited (Stock code: 1130)	4/7/2008	0.0	(24.71)
China Sci-Tech Holdings Limited (Stock code: 985)	2/7/2008	0.0	41.24
Beijing Enterprises Water Group Limited (Stock code: 371)	12/6/2008	0.0	(80.10)
Gay Giano International Group Limited (Stock code: 686)	10/6/2008	2.0	(23.31)
	Maximum:	**8.0**	**300.00**
	Minimum:	**0.0**	**(90.32)**
The Settlement Convertible Bond		**3.0**	**(18.03)**

Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: The interest rate for this CB comparable is based on the best lending rate for Hong Kong dollar loan as quoted from time to time by the Hongkong and Shanghai Banking Corporation Limited and is therefore not comparable to the interest rate of the Settlement Convertible Bond which is of a fixed nature.

As shown in the above table, we note that both of (i) the discount of the initial Settlement CB Conversion Price to the closing price of the Shares on the Last Trading Day; and (ii) the coupon interest fall within the range of those of CB Comparables.

In addition to the above comparison, we have reviewed the Share price performance of the Company during the Review Period. Set out below is a graph which illustrates the daily historical closing price of the Shares during the Review Period.



As illustrated in the above graph, we note that the Share price performance of the Company had a general downward trend during the Review Period. Given the Settlement Convertible Bond will only be issued on the day falling on the fifth anniversary of the date of Acquisition Completion if any part of the CJV Partner's Loan have not been settled, we consider that it is fair and reasonable for the Directors to agree the Settlement CB Conversion Price at a discount.

Having taking into account that the initial Settlement CB Conversion Price and the coupon interest rate of the Settlement Convertible Bond is comparable to the CB Comparables and the weak share price performance of the Shares during the Review Period, we consider the terms of the Settlement Convertible Bond (including the initial Settlement CB Conversion Price of HK$0.05) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Taking into account the factors and reasons as mentioned above, we are of the opinion that (i) the terms of the Settlement Convertible Bond; the provision of the CJV Partner's Corporate Guarantee to Riche; and the Annual Cap are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) the provision of the CJV Partner's Corporate Guarantee to Riche is in the ordinary and usual course of business of the Group after the Acquisition Completion. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution to approve the issue of the Settlement Convertible Bond, the provision of the CJV Partner's Corporate Guarantee and the Annual Cap to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Grand Cathay Securities (Hong Kong) Limited

Kim Chan *Director*

Kevin Chan *Director*

1. FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group as extracted from the respective quarterly report for the nine months ended 30 September 2008 and annual reports of the Company for the latest three financial years ended 31 December 2007 is set out below:

Results

Results	For the nine months ended 30 September 2008	For the year ended 31 December 2007	For the period from 1 April 2006 to 31 December 2006 *(Note)*	For the year ended 31 March 2006 *(Note)*	For the year ended 31 March 2005
	HK$'000 *(Unaudited)*	*HK$'000* *(Audited)*	*HK$'000* *(Audited)*	*HK$'000* *(Audited)*	*HK$'000* *(Audited)*
Turnover	51,177	60,598	18,885	1,359	1,442
Profit/(Loss) before taxation	(42,452)	(92,240)	1,824	(17,726)	(17,163)
Taxation	(12)	—	(676)	—	—
Net profit/(Loss) attributable to shareholders for the period/year	(42,464)	(92,240)	1,148	(17,726)	(17,163)

Assets and liabilities

Assets and liabilities	As at 31 December 2007	For the period ended 31 December 2006 *(Note)*	As at 31 March 2006 *(Note)*	As at 31 March 2005
	HK$'000 *(Audited)*	*HK$'000* *(Audited)*	*HK$'000* *(Audited)*	*HK$'000* *(Audited)*
Total assets	45,717	102,385	454	17,832
Total liabilities	(33,964)	70,837	6,280	12,690
Total equity	11,753	31,548	(5,826)	5,142

Note: The financial year end of the Company changed from 31 March to 31 December.

The Company had received unqualified opinions for the year ended 31 December 2007 and 31 December 2006. Yet, the Company had received qualified opinion for the year ended 31 March 2005.

2. AUDITED FINANCIAL STATEMENTS

Set out below are the audited financial statements together with the relevant notes thereto as extracted from the annual report of the Company for the year ended 31 December 2007.

Consolidated Income Statement
Year ended 31 December 2007

	Notes	**Year ended 31/12/2007** *HK$'000*	**Period from 1/4/2006 to 31/12/2006** *HK$'000*
TURNOVER	*7*		
Continuing operations		60,536	18,342
Discontinued operation		62	543
		60,598	18,885
Cost of sales		(22,830)	(7,385)
Gross profit		37,768	11,500
Other revenues and gains	*7*	6,212	5,357
Selling and distribution costs		(3,600)	(994)
Administrative expenses		(55,264)	(12,240)
Finance costs	*8*	(1,800)	(1,799)
Share of loss of jointly controlled entities		(4)	—
Impairment of goodwill		(75,552)	—
PROFIT/(LOSS) BEFORE TAX	*9*		
Continuing operations		(92,580)	486
Discontinued operation	*13*	340	1,338
		(92,240)	1,824
Tax	*11*		
Continuing operations		—	(676)
Discontinued operation		—	—
		—	(676)
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS			
Continuing operations		(92,580)	(190)
Discontinued operation	*13*	340	1,338
		(92,240)	1,148
Earnings/(loss) per share	*15*		
From continuing and discontinued operations			
— basic (cents)		(8.69)	0.32
— diluted (cents)		N/A	N/A
From continuing operation			
— basic (cents)		(8.72)	(0.05)
— diluted (cents)		N/A	N/A

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	6,712	2,955
Goodwill	17		75,552
Intangible assets	18	—	4,720
Investments in jointly controlled entities	20	—	—
Investment in an associate	21	—	—
Total non-current assets		6,712	83,227
CURRENT ASSETS			
Inventories	22	8,992	2,643
Trade receivables	23	4,195	2,209
Deposits, prepayments and other receivables		13,914	4,598
Financial assets at fair value through profit or loss	24	966	6,190
Derivative financial instruments	25	840	92
Amounts due from jointly controlled entities	20	562	—
Pledged deposits		5,949	—
Cash and bank balances		3,587	3,426
Total current assets		39,005	19,158
CURRENT LIABILITIES			
Trade and bills payables	26	2,593	3,116
Other payables and accruals		15,114	3,212
Derivative financial instruments	25	459	—
Interest-bearing bank and other borrowings	27	13,563	12,460
Amount due to a jointly controlled entity	20	675	—
Tax payable		755	1,076
Total current liabilities		33,159	19,864
Net current assets/(liabilities)		5,846	(706)
Total assets less current liabilities		12,558	82,521
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	805	2,785
Convertible notes	29	—	48,188
Total non-current liabilities		805	50,973
Net assets		11,753	31,548
EQUITY			
Issued capital	31	12,470	5,268
Equity component of convertible notes	29	—	11,316
Reserves		(717)	14,964
Total equity		11,753	31,548

Consolidated Statement Of Changes In Equity

Year ended 31 December 2007

	Issued capital	Share premium	Equity component of convertible notes	Exchange reserve	Share-based payments reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	65,850	34,698	—	(15)	—	(106,359)	(5,826)
Capital reorganisation	(64,533)	—	—	—	—	64,533	—
Issue of shares on open offer	3,951	21,730	—	—	—	—	25,681
Share issuance costs	—	(786)	—	—	—	—	(786)
Issue of convertible notes	—	—	11,999	—	—	—	11,999
Redemption of convertible notes	—	—	(683)	—	—	—	(683)
Reserve realized upon disposal of subsidiaries	—	—	—	15	—	—	15
Net profit for the period	—	—	—	—	—	1,148	1,148
At 31 December 2006 and 1 January 2007	5,268	55,642	11,316	—	—	(40,678)	31,548
Redemption of convertible notes — *note 29*	—	—	(195)	—	—	—	(195)
Conversion of convertible notes — *note 29*	5,702	53,546	(11,121)	—	—	—	48,127
Placing of new shares — *note 31*	1,500	23,250	—	—	—	—	24,750
Cost of placing of new shares	—	(335)	—	—	—	—	(335)
Recognition of equity-settled share-based payments — *note 32*	—	—	—	—	98	—	98
Net loss for the year	—	—	—	—	—	(92,240)	(92,240)
At 31 December 2007	12,470	132,103	—	—	98	(132,918)	11,753

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Year ended 31/12/2007 *HK$'000*	Period from 1/4/2006 to 31/12/2006 *HK$'000*
OPERATING ACTIVITIES		
Profit/(loss) before tax:		
Continuing operations	(92,580)	486
Discontinued operation	340	1,338
Adjustments for:		
Finance costs	1,800	1,799
Interest income	(247)	(9)
Depreciation	2,991	732
Impairment of investment in an associate	—	4
Impairment of goodwill	75,552	—
Impairment of intangible assets	4,047	—
Impairment of trade receivables	490	—
Amortisation of intangible assets	673	280
Equity-settled share option expenses	98	—
Share of loss of jointly controlled entities	4	—
Loss on disposal of property, plant and equipment	501	—
Gain on disposal of subsidiaries	(385)	(1,698)
Waiver of other loan	—	(1,000)
Fair value gain on financial assets at fair value through profit or loss	(4)	(2,014)
Fair value gain on derivative financial instruments	(381)	(92)
Reversal of impairment of trade receivables	—	(3)
Operating cash flow before movements in working capital	(7,101)	(177)
Decrease/(increase) in inventories	(6,349)	2,837
Increase in trade receivables	(2,476)	(409)
Decrease/(increase) in deposits, prepayments and other receivables	(9,316)	5,677
Decrease/(increase) in financial assets at fair value through profit or loss	5,228	(4,176)
Decrease in derivative financial instruments	92	—
Increase/(decrease) in trade and bills payables	(523)	1,342
Increase/(decrease) in other payables and accruals	12,237	(400)
Increase in amount due to a jointly controlled entity	675	—
Cash generated from/(used in) operations	(7,533)	4,694
Interest received	247	9
Hong Kong profits tax paid	(321)	(2,718)
Overseas tax paid	—	(47)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(7,607)	1,938

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Year ended 31/12/2007 *HK$'000*	**Period from 1/4/2006 to 31/12/2006** *HK$'000*
INVESTING ACTIVITIES		
Acquisition of a subsidiary	—	(21,362)
Disposal of subsidiaries	50	—
Purchases of shareholding in jointly controlled entities	(4)	—
Advances to jointly controlled entities	(562)	—
Purchases of items of property, plant and equipment	(7,249)	(125)
Increase in pledged time deposits	(5,949)	—
NET CASH USED IN INVESTING ACTIVITIES	(13,714)	(21,487)
FINANCING ACTIVITIES		
Interest paid	(1,056)	(315)
Proceeds from issue of shares	24,415	24,895
Redemption of convertible notes	(1,000)	(3,500)
Repayment of other loan	—	(3,775)
New bank loans	3,807	7,300
Repayment of bank loans	(7,202)	(873)
Increase/(decrease) in trust receipt loans	4,577	(3,157)
Repayments of capital element of finance leases	(395)	(183)
NET CASH FROM FINANCING ACTIVITIES	23,146	20,392
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,825	843
Cash and cash equivalents at beginning of year/period	955	112
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	2,780	955
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,587	3,426
Bank overdrafts	(807)	(2,471)
	2,780	955

Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	1	81,180
Total non-current assets		1	81,180
CURRENT ASSETS			
Deposits, prepayments and other receivables		7,098	—
Amounts due from subsidiaries	19	13,353	—
Cash and bank balances		1	1
Total current assets		20,452	1
CURRENT LIABILITIES			
Other payables and accruals		5,654	685
Amounts due to subsidiaries	19	3,107	3,915
Total current liabilities		8,761	4,600
Net current assets/(liabilities)		11,691	(4,599)
Total assets less current liabilities		11,692	76,581
NON-CURRENT LIABILITIES			
Convertible notes	29	—	48,188
Net assets		11,692	28,393
EQUITY			
Issued capital	31	12,470	5,268
Equity components of convertible notes	29	—	11,316
Reserves	34	(778)	11,809
Total equity		11,692	28,393

Notes to the Financial Statements

31 December 2007

1. General Information

Golife Concepts Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 11 June 2001 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 March 2002.

The registered office and principal place of business of the Company are located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands and Suite A, 15 Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong, respectively.

The Company's principal activity has not changed during the year and consisted of investment holding. The principal activity of its subsidiaries is distribution of high-end apparel and accessories. The Group was also engaged in design, development and sales of location-based technology devices and application, which were discontinued upon the disposal of subsidiaries in current year, further details of which are set out in note 13 to the financial statements.

2. Basis of Preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. They have been prepared under the historical cost convention, except for certain financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. Impact of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial statements beginning on or after 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

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

The adoption of the new HKFRSs has given rise to additional disclosures as follows:

HKAS 1 (Amendment) — Capital Disclosures

In accordance with the HKAS 1 (Amendment) — Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 42.

HKFRS 7 — Financial Instruments: Disclosures

HKFRS 7 — Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's consolidated financial statements now feature:

— a sensitive analysis explained the Group's market risk exposure in regard to its financial instruments, and

— a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

3.1 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions[2]
HK(IFRIC) — Int 12	Service Concession Arrangements[3]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

4. Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the period has been accounted for using purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Company and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Company and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realized upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the ventures, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS39, if the Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of jointly controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the income statement and reserves, respectively. The Group's interests in associates are stated in the balance sheet at the Group's share of net assets under equity method of accounting, less any impairment losses.

The results of associates are included in the Group's income statement to the extent of dividends received and receivable. The Group's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups or units. Each unit or group of units to which the goodwill is so allocated:

— represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

— is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognized for goodwill is not reversed in a subsequent period.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largerly independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except that when an item of property, plant and equipment is classified as held for sale, it is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms or 20%
Furniture and equipment	20% – 25%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the asset.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Franchise rights

Franchise rights are stated at cost less any impairment losses, and are amortised on the straightline basis over their estimated useful lives of 4 to 10 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investment and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contracts that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sales financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other three categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, its transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial asset) is derecognised where:

— the rights to receive cash flows from the asset have expired;

— the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

— the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability components is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existed liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes on fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to the present value of estimated future cash flows.

For the purpose of hedge accounting, hedges are classified as:

— fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or

— cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follow:

Fair value hedges

Fair value hedges are hedges of the Company's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining terms to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss.

Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised on profit or loss.

The Company discontinues fair value hedge accounting of the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges

Cash flow hedges are hedges of the Company's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profits or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost if a non-financial asset or liability, the accounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provision

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

— where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

— where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Equity-settled share-based payment transactions

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employee is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Group ("market conditions"), if applicable.

Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At each balance sheet date, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognized in profit or loss.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the period. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the period are translated into Hong Kong dollars at the weighted average exchange rates for the period.

5. Significant Accounting Judgements And Estimates

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was nil (2006: approximately HK$75,552,000). More details are given in note 17.

Impairment for trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by a review of their current credit information. The Group continuously monitors collections and payments from its customers and maintain a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified.

6. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(i) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the year ended 31 December 2007 and the period from 1 April 2006 to 31 December 2006.

For management purposes, the Group is organized into two operating divisions — design, development and sales of location-based technology devices and applications, and distribution of high-end apparel and accessories. These divisions are the basis on which the Group reports its primary segment information. In September 2007, the Group ceased the business of design, development and sales of location-based technology devices and application.

Segment information about these businesses is presented below.

	Continuing operation		Discontinued operation			
	Distribution of high-end apparel and accessories		Design, development and sales of location-based technology devices and applications		Consolidated	
	Year ended 31/12/2007	Period from 1/4/2006 to 31/12/2006	Year ended 31/12/2007	Period from 1/4/2006 to 31/12/2006	Year ended 31/12/2007	Period from 1/4/2006 to 31/12/2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover:						
External turnover	60,536	18,342	62	543	60,598	18,885
Results:						
Segment results	(91,264)	363	340	1,338	(90,924)	1,701
Unallocated revenue					5,014	3,412
Unallocated expenses					(4,530)	(1,490)
Finance costs					(1,800)	(1,799)
Profit/(loss) before tax					(92,240)	1,824
Tax					—	(676)
Profit/(loss) for the year/period					(92,240)	1,148

	Continuing operation		Discontinued operation			
	Distribution of high-end apparel and accessories		Design, development and sales of location-based technology devices and applications		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets:						
Segment assets	35,262	94,395	—	1	35,262	94,396
Unallocated corporate assets					10,455	7,989
Total assets					45,717	102,385
Liabilities:						
Segment liabilities	27,456	21,547	—	417	27,456	21,964
Unallocated corporate liabilities					6,508	48,873
Total liabilities					33,964	70,837

	Year ended 31/12/2007 *HK$'000*	Period from 1/4/2006 to 31/12/2006 *HK$'000*	Year ended 31/12/2007 *HK$'000*	Period from 1/4/2006 to 31/12/2006 *HK$'000*	Year ended 31/12/2007 *HK$'000*	Period from 1/4/2006 to 31/12/2006 *HK$'000*
Other segment information:						
Capital expenditure	7,249	1,741	—	—	7,249	1,741
Depreciation	2,991	732	—	—	2,991	732
Amortisation	673	280	—	—	673	280
Impairment loss	80,089	—	—	4	80,089	4

(ii) ***Geographical segments***

The following tables present revenue, assets and capital expenditures for the Group's geographical segments for the year ended 31 December 2007 and the period from 1 April 2006 to 31 December 2006.

	Hong Kong		Taiwan		Consolidated	
	Year ended 31/12/2007 *HK$'000*	Period from 1/4/2006 to 31/12/2006 *HK$'000*	Year ended 31/12/2007 *HK$'000*	Period from 1/4/2006 to 31/12/2006 *HK$'000*	Year ended 31/12/2007 *HK$'000*	Period from 1/4/2006 to 31/12/2006 *HK$'000*
Turnover:						
Continuing operations	47,108	13,255	13,428	5,087	60,536	18,342
Discontinued operation	62	543	—	—	62	543
External turnover	47,170	13,798	13,428	5,087	60,598	18,885
Assets:						
Segment assets	38,407	19,392	7,310	2,721	45,717	22,113
Unallocated corporate assets					—	80,272
Total assets					45,717	102,385
Other segment information:						
Capital expenditure	4,475	1,741	2,774	—	7,249	1,741

7. Turnover, Other Revenues and Gains

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered.

An analysis of the Group's turnover, other revenues and gains is as follows:

	Year ended 31/12/2007	Period from 1/4/2006 to 31/12/2006
	HK$'000	*HK$'000*
TURNOVER		
CONTINUING OPERATIONS		
Distribution of high-end apparel and accessories	60,536	18,342
DISCONTINUED OPERATION		
Design, development and sales of location-based technology devices and applications	62	543
	60,598	18,885
OTHER REVENUES AND GAINS		
Bank interest income	247	9
Consultancy fee income	—	72
Fair value gain on financial assets at fair value through profit or loss	4	2,014
Fair value gain on derivative financial instruments	381	92
Gain on disposal of subsidiaries	385	1,698
Gain on disposal of financial assets at fair value through profit or loss	4,813	398
Management services income	340	—
Reversal of impairment of trade receivables	—	3
Sundry income	42	71
Waiver of other loan	—	1,000
	6,212	5,357

8. Finance Costs

	Year ended 31/12/2007	Period from 1/4/2006 to 31/12/2006
	HK$'000	*HK$'000*
Interest on convertible notes	744	1,484
Interest on bank loans and overdrafts wholly repayable within five years	1,004	289
Interest on finance leases	52	26
	1,800	1,799

9. Profit/(Loss) before Tax

Profit/(loss) before tax is arrived at after charging:

	Year ended 31/12/2007	Period from 1/4/2006 to 31/12/2006
	HK$'000	*HK$'000*
Cost of inventories sold	22,830	7,323
Cost of services rendered	—	62
Auditor's remuneration	360	295
Amortisation of intangible assets	673	280
Depreciation of property, plant and equipment	2,991	732
Loss on disposal of property, plant and equipment	501	—
Exchange losses, net	378	76
Minimum lease payments under operating leases on land and buildings	15,202	3,962
Impairment of investment in an associate	—	4
Impairment of trade receivables	490	—
Impairment of intangible assets	4,047	—
Staff costs (excluding directors' remuneration — *note 10*)		
Salaries and allowances	11,778	3,119
Equity-settled share option expenses	32	—
Pension scheme contributions	364	128
	12,174	3,247

10. Directors' Remuneration and Five Highest Paid Employees

The remuneration of each director for the year ended 31 December 2007 and the period from 1 April 2006 to 31 December 2006 are set out below:

Year ended 31 December 2007:

	Fees	Salaries and allowances	Retirement scheme contribution	Share option benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lo Mun Lam, Raymond	380	—	—	—	380
Gouw San Bo, Elizabeth *(note 1)*	—	1,227	6	—	1,233
Richard Yen *(note 2)*	500	944	33	631	
Leung Tak Wah *(note 3)*	—	246	7	—	253
Non-executive directors					
Duncan Chiu	—	—	—	33	33
Yu Wai Yin, Vicky *(note 4)*	33	—	—	—	33
Independent non-executive directors					
Lum Pak Sum	221	—	—	—	221
Sum Chun Ho, Sam	60	—	—	—	60
Wan Kwok Pan	49	—	—	—	49
Total	1,243	1,567	17	66	2,893

Period from 1 April 2006 to 31 December 2006

	Fees	Salaries and allowances	Retirement scheme contribution	Share option benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lo Mun Lam, Raymond	200	—	—	—	200
Leung Tak Wah	—	190	9	—	199
Yu Wai Yin, Vicky *(note 4)*	40	—	—	—	40
Non-executive directors					
Duncan Chiu *(note 5)*	—	—	—	—	—
Richard Yen *(note 2)*	—	—	—	—	—
Independent non-executive directors					
Lum Pak Sum	—	—	—	—	—
Sum Chun Ho, Sam	19	—	—	—	19
Wan Kwok Pan	14	—	—	—	14
Total	273	190	9	—	472

Notes:

1. Ms. Gouw San Bo, Elizabeth was appointed as an executive director on 11 July 2007.

2. Mr. Richard Yen was appointed as a non-executive director and redesignated as an executive director on 27 September 2006 and 28 August 2007, respectively.

3. Mr. Leung Tak Wah resigned as an executive director on 11 July 2007.

4. Ms. Yu Wai Yin Vicky, was redesignated as a non-executive director on 3 April 2007.

5. Mr. Duncan Chiu was appointed as a non-executive director on 27 September 2006.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year/period.

Of the five highest paid individuals, three (period ended 31 December 2006: two) were directors of the Company and their remuneration has been included in the directors' remuneration disclosures above and the disclosure below. Details of the emoluments of the remaining two (period ended 31 December 2006: three) non-directors, highest paid employees of the Group for the year/period are as follows:

	Year ended 31/12/2007 *HK$'000*	**Period from 1/4/2006 to 31/12/2006** *HK$'000*
Basic salaries, allowances and other benefits in kind	3,868	600
Share option benefit	32	—
Retirement benefits scheme contributions	18	30
	3,918	630

Included in the above, the remuneration of Ms. Gouw San Bo, Elizabeth, an executive director, who was one of the five highest paid individuals for the period from 1 April 2006 to 31 December 2006 before appointed as an executive director in current year is as follows:

	Year ended 31/12/2007 *HK$'000*	**Period from 1/4/2006 to 31/12/2006** *HK$'000*
Basic salaries, allowances and other benefits in kind	953	460
Share option benefit	—	—
Retirement benefits scheme contributions	6	4
	959	464

The number of non-director, highest paid individuals whose remuneration fell within the following bands (excluding Ms. Gouw San Bo), is as follows:

	Year ended 31/12/2007 *HK$'000*	**Period from 1/4/2006 to 31/12/2006** *HK$'000*
Nil to HK$1,000,000	1	3
HK$2,000,001 to HK$2,500,000	1	—
	2	3

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (period ended 31 December 2006: nil).

During the year, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such options, which has been charged to the income statement, was determined as at the date of the grant and was included in the above non-director, highest paid employees' remuneration disclosures.

Retirement benefit costs

The Group operates a mandatory provident fund scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is defined contribution retirement scheme administrated by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the Scheme vest immediately. At the balance sheet date, there was no forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contribution payable in the future years.

11. Tax

No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In prior year, Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year/period at the rates of tax prevailing in the countries in which the Group operates.

	Year ended 31/12/2007	**Period from 1/4/2006 to 31/12/2006**
	HK$'000	*HK$'000*
Current provision:		
— Hong Kong	—	575
— Overseas	—	101
	—	676
Attributable to:		
Continuing operations	—	676
Discontinued operation *(note 13)*	—	—
	—	676

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rate, are as follows:

	Year ended 31/12/2007		**Period from 1/4/2006 to 31/12/2006**	
	HK$'000	*%*	*HK$'000*	*%*
Profit/(loss) before tax	(92,240)		1,824	
Tax at the domestic income tax rate	(16,142)	(17.5)	319	17.5
Effect of different tax rates in other jurisdictions	(74)	(0.1)	(24)	(1.3)
Income not subject to tax	(70)	(0.1)	(471)	(25.8)
Expenses not deductible for tax	15,708	17.0	336	18.4
Deductible temporary differences not recognized	30	0.1	—	—
Tax losses not recognized	548	0.6	516	28.3
Tax charge at effective rate	—	—	676	37.1

12. Net Loss Attributable to Shareholders

The net loss attributable to shareholders for the year ended 31 December 2007 dealt with in the financial statements of the Company is approximately HK$89,146,000 (period ended 31 December 2006: loss of approximately HK$7,511,000).

13. Discontinued Operation

On 20 September 2007, the Group decided to cease its business of design, development and sales of location-based technology devices and application. On 27 September 2007, the Company disposed of Satellite Devices (BVI) Limited, which held a subsidiary called Satellite Devices Limited. Satellite Devices (BVI) Limited engaged in investment holding and Satellite Devices Limited engaged in design, development and sales of location-based technology devices and application and was a separate business segment that was part of Hong Kong operations.

The operating result associated with the business of design, development and sales of location-based technology devices and application for the year/period and gain on disposal of subsidiaries related to the discontinued operation are presented below:

	Notes	Year ended 31/12/2007 HK$'000	Period from 1/4/2006 to 31/12/2006 HK$'000
Turnover	7	62	543
Cost of sales		—	(62)
Other revenues and gains		—	74
Selling and distribution costs		—	(5)
A dministrative expenses		(107)	(910)
Loss before tax and gain on disposal of subsidiaries		(45)	(360)
Gain on disposal of subsidiaries	35	385	1,698
Profit before tax from the discontinued operation		340	1,338
Tax	11	—	—
Profit attributable to shareholders from the discontinued operation		340	1,338

The net cash flows incurred by the disposed group are as follows:

	Year ended 31/12/2007 HK$'000	Period from 1/4/2006 to 31/12/2006 HK$'000
Operating activities	(1)	(89)
Investing activities	50	—
Financing activities	—	—
Net cash inflow/(outflow)	49	(89)

14. Dividend

The directors of the Company do not recommend the payment of a dividend for the year (period ended 31 December 2006: nil).

15. Earnings/(Loss) Per Share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31/12/2007	Period from 1/4/2006 to 31/12/2006
	HK$'000	*HK$'000*
For continuing and discontinued operations Profit/(loss) attributable to shareholders	(92,240)	1,148
For continuing operations Loss attributable to shareholders	(92,580)	(190)
	Number of shares	
Weighted average number of ordinary shares in issue during the year/period	1,061,242,585	361,577,386

Diluted earnings/(loss) per share is not presented as the convertible notes and share options had anti-dilutive effects on the basic earnings/(loss) per share.

16. Property, Plant and Equipment

Group

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 April 2006	—	—	—	—
Acquired on acquisition of a subsidiary	3,805	544	—	4,349
Additions	52	73	1,616	1,741
At 31 December 2006 and 1 January 2007	3,857	617	1,616	6,090
Additions	6,298	951	—	7,249
Disposals	(1,493)	—	—	(1,493)
At 31 December 2007	8,662	1,568	1,616	11,846
Accumulated depreciation:				
At 1 April 2006	—	—	—	—
Acquired on acquisition of a subsidiary	2,050	353	—	2,403
Charge for the period	347	62	323	732
At 31 December 2006 and 1 January 2007	2,397	415	323	3,135
Charge for the year	2,469	198	324	2,991
Disposals	(992)	—	—	(992)
At 31 December 2007	3,874	613	647	5,134
Net book value:				
At 31 December 2007	4,788	955	969	6,712
At 31 December 2006	1,460	202	1,293	2,955

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles at 31 December 2007, approximately amounted to HK$969,000 (2006: HK$1,293,000).

17. Goodwill

Group

The amounts of the goodwill capitalised by the Group as an asset and recognised in the consolidated balance sheet, arising from the acquisition of a subsidiary, are as follows:

	HK$'000
At 1 April 2006	—
Arising from acquisition of a subsidiary	75,552
Impairment during the period	—
At 31 December 2006 and 1 January 2007	75,552
Impairment during the year	(75,552)
At 31 December 2007	—

Impairment test for cash-generating units containing goodwill and intangible assets (note 18).

Goodwill acquired has been allocated to the cash generating unit ("CGU") of Golife (Hong Kong) Limited, a wholly owned subsidiary of the Company.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rates do not exceed the respective long-term average growth rates for the businesses in which the CGUs operate.

Key assumptions used for value-in-use calculations:

	2007
Gross profit margin	61.5%
Growth rate	5.0%
Discount rate	10.8%

Management determined the budgeted gross profit margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant the CGU.

The recoverable amounts of the CGU are lower than their carrying amounts based on value-in-use calculations.

Accordingly, the goodwill was fully impaired during the year. Impairment loss of approximately HK$75,552,000 (period ended 31 December 2006: nil) is recognised in the consolidated income statement.

18. Intangible Assets

Group

	Franchise rights
	HK$'000
Cost:	
At 1 April 2006	—
Arising from acquisition of a subsidiary	5,000
At 31 December 2006, 1 January 2007 and 31 December 2007	5,000
Accumulated amortisation and impairment:	
At 1 April 2006	—
Amortised for the period	280
At 31 December 2006 and 1 January 2007	280
Amortised for the year	673
Impairment for the year	4,047
At 31 December 2007	5,000
Net book value:	
At 31 December 2007	—
At 31 December 2006	4,720

Intangible assets acquired has been allocated to the cash generating unit ("CGU") of Golife (Hong Kong) Limited, a wholly owned subsidiary of the Company. The Group tests intangible assets annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Accordingly, the intangible assets were fully impaired during the year. Impairment less of approximately HK$4,047,000 (period ended 31 December 2006: nil) is recognised in the consolidated income statement. Further details of the impairment test are also set out in note 17.

19. Interests in Subsidiaries

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	81,181	81,180
Impairment in value	(81,180)	—
	1	81,180
Amounts due from subsidiaries	17,853	102,193
Amounts due to subsidiaries	(3,107)	(3,915)
Impairment in value	(4,500)	(102,193)
	10,246	(3,915)
	10,247	77,265

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/(to) subsidiaries approximate their fair values.

Particulars of the subsidiaries of the Company as at 31 December 2007 are as follows:

Name	Place of incorporation/ registration	Issued and fully paid up capital/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Golife (Hong Kong) Limited	Hong Kong	HK$500,000	100%	—	Distribution of high-end apparel and accessories
Golife (Trading) Limited	Hong Kong	HK$300,000	—	100%	Distribution of high-end jewellery and accessories
Golife (Management) Limited (Formerly known as On Winner Enterprises Limited)	Hong Kong	HK$10,000	—	100%	Dormant
GOL (International) Limited	British Virgin Islands	US$1	—	100%	Dormant
Peak Choice Limited	British Virgin Islands	US$1	100%	—	Investment in securities
Sunfame Limited	British Virgin Islands	US$100	100%	—	Dormant
Profit First Investments Limited	British Virgin Islands	US$1	100%	—	Investment holding
Better Point Limited	British Virgin Islands	US$1	100%	—	Investment holding
CR Hong Kong (Trading) Limited	Hong Kong	HK$1	—	100%	Dormant

20. Interests in Jointly Controlled Entities

	Group 2007	Group 2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	4	—
Share of post acquisition loss	(4)	—
	—	—
Amounts due from jointly controlled entities	562	—
Amount due to a jointly controlled entity	(675)	—
	(113)	—

The share of post acquisition loss is limited to the cost of investments. The unrecognized share of post acquisition loss for the year is amounted to approximately HK$725,000.

The amounts due from/(to) the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/(to) the jointly controlled entities approximate to their fair value.

Particulars of the jointly controlled entities as at 31 December 2007 are as follows:

Name	Place of incorporation/ registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
LOC Limited	British Virgin Islands	50	50	50	Investment holding
Life of Circle Limited	Hong Kong	50	50	50	Wholesales of high-end jewellery and accessories
CR Hong Kong Limited	Hong Kong	50	50	50	Dormant

All of the above investments in jointly controlled entities are indirectly held by the Company.

The following table illustrates the summarized financial information of the Group's jointly controlled entities:

	2007	2006
	HK$'000	*HK$'000*
The jointly controlled entities' assets and liabilities:		
Current assets	1,400	—
Non-current assets	12	—
Current liabilities	(2,862)	—
Non-current liabilities	—	—
Net liabilities	(1,450)	—
Group's share of net assets of jointly controlled entities	—	—
The jointly controlled entities' results:		
Turnover	3,606	—
Cost of sales	(2,511)	—
Gross profit	1,095	—
Total expenses	(2,553)	—
Tax	—	—
Loss after tax	(1,458)	—
Group's share of loss of jointly controlled entities for the year	(4)	—
Unrecognized and accumulated unrecognized share of loss of jointly controlled entities	(725)	—

21. Investment in an Associate

	Group 2007	2006
	HK$'000	*HK$'000*
Share of net assets	—	4
Impairment	—	(4)
	—	—

The investment in an associate was disposed during the year.

22. Inventories

	Group 2007	2006
	HK$'000	*HK$'000*
Merchandise	8,992	2,643

At 31 December 2007, no inventories were carried at net realisable value (2006: Nil).

23. Trade Receivables

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group 2007	2006
	HK$'000	*HK$'000*
0 — 30 days	2,430	1,710
31 — 60 days	1,503	499
61 — 90 days	24	—
Over 90 days	728	—
	4,685	2,209
Less: impairment	(490)	—
	4,195	2,209

24. Financial Assets at Fair Value Through Profit or Loss

	Group 2007	2006
	HK$'000	*HK$'000*
Equity investments listed in Hong Kong, at fair value	238	1,493
Derivative financial assets, at fair value	728	4,697
	966	6,190

At 31 December 2007, the carrying amount of the Group's financial assets at fair value through profit or loss amounted to approximately HK$728,000 was pledged as security for the Group's bank loans amounted to approximately HK$787,000 (2006: nil), as further detailed in note 27 to the financial statements.

The above equity investments were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

25. Derivative Financial Instruments

	Group			
	2007		2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Foreign currency contracts	840	459	92	—

The carrying amount of forward currency contracts are the same as their fair values.

The Group has eight forward currency contracts outstanding at 31 December 2007 (2006: two) to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to approximately HK$381,000 was credited to the income statement during the year (period ended 31 December 2006: approximately HK$92,000).

26. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
0 — 30 days	1,707	2,433
31 — 60 days	178	367
61 — 90 days	13	16
Over 90 days	695	300
	2,593	3,116

27. Interest-bearing Bank and Other Borrowings

	Group					
	2007			**2006**		
	Effective interest rate *(%)*	**Maturity or interest reprice date, whichever is earlier**	*HK$'000*	**Effective interest rate** *(%)*	**Maturity or interest reprice date, whichever is earlier**	*HK$'000*
Current						
Finance lease payables — *note 28*	3.35%	2008	395	3.35%	2007	395
Bank overdrafts — secured	best lending rate	on demand	807	best lending rate + 1%	on demand	2,471
Bank loans — secured	5.81% or prime rate +2%	2008	5,021	prime rate +2%	2007	6,831
Trust receipt loans — secured	best lending rate	2008	7,340	best lending rate	2007	2,763
			13,563			12,460
Non-current						
Finance lease payables — *note 28*	3.35%	2009 – 2011	643	3.25%	2008 – 2011	1,038
Bank loans — secured	prime rate +2%	2009 – 2010	162	prime rate + 2%	2008 – 2009	1,747
			805			2,785
			14,368			15,245

	Group 2007 HK$'000	2006 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	13,168	12,065
In the second year	162	1,584
In the third to fifth years, inclusive	—	163
	13,330	13,812
Other borrowings payable:		
Within one year or on demand	395	395
In the second year	395	395
In the third to fifth years, inclusive	248	643
	1,038	1,433
	14,368	15,245

The Group's banking facilities are secured by:

(i) the pledge of certain of the Group's fixed deposits amounted to approximately HK$5,949,000;

(ii) the pledge of certain of the Group's financial assets at fair value through profit or loss with carrying amount of approximately HK$728,000;

(iii) corporate guarantee provided by the Company; and

(iv) personal guarantees provided by directors of a subsidiary of the Group.

28. Finance Lease Payables

The Group leases its motor vehicles for its business. The leases are classified as finance leases and have remaining lease terms ranging from three to four years.

At the balance sheet date, the total future minimum lease payments under finance lease and the present value, were as follows:

	Group			
	Minimum lease payments 2007	**Minimum lease payments 2006**	**Present value of minimum lease payments 2007**	**Present value of minimum lease payments 2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable:				
Within one year	447	447	395	395
In the second year	447	447	395	395
In the third year to fifth years, inclusive	280	727	248	643
Total minimum finance lease payments	1,174	1,621	1,038	1,433
Future finance charges	(136)	(188)		
Total net finance lease payables	1,038	1,433		
Portion classified as current liabilities — *note 27*	(395)	(395)		
Long term portion — *note 27*	643	1,038		

29. Convertible Notes

On 31 July 2006, the Company issued interest-free convertible notes with a nominal value of HK$61.52 million to an independent noteholder. The noteholder has the right to convert the whole or any part of the principal amount of the convertible note into shares at any time and from time to time after six months from the date of issue of the convertible notes up to the date immediately prior to the maturity date.

The fair value of the liability component and the equity conversion component were determined at issurance of the convertible notes. The fair value of the liability component was calculated using a market interest rate. The residual amount, representing the value of the equity conversion component, has been included in the convertible notes reserve.

The convertible notes recognized in the balance sheets of the Group and the Company are calculated as follows:

	Group and Company
	HK$'000
Nominal value of convertible notes issued on 31 July 2006	61,520
Equity component	(11,999)
Liability component at the issuance date	49,521
Redemption during the period	(2,817)
Interest expenses	1,484
Liability component at 31 December 2006 and 1 January 2007	48,188
Redemption during the year	(805)
Conversion during the year	(48,127)
Interest expenses	744
Liability component at 31 December 2007	—
Equity component at the issuance date	11,999
Redemption during the period	(683)
Equity component at 31 December 2006 and 1 January 2007	11,316
Redemption during the year	(195)
Conversion during the year	(11,121)
Equity component at 31 December 2007	—

During the year, the convertible notes of the Company were redeemed and converted into ordinary shares.

30. Deferred Tax

Group

The movements in deferred tax liabilities and assets during the year/period are as follows:

	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1 April 2006	(7)	7	—
Charged/(credited) to consolidated income statement	1	(1)	—
At 31 December 2006 and 1 January 2007	(6)	6	—
Charged/(credited) to consolidated income statement	(15)	15	—
At 31 December 2007	(21)	21	—

For purpose of the balance sheet presentation, the above deferred tax assets and liabilities were offset.

As at 31 December 2007, the Group had estimated unused tax losses of approximately HK$1,937,000 (2006: approximately HK$97,340,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset was recognized during the year (2006: nil) due to the unpredictability of future profit streams. The unrecognized tax losses may be carried forward indefinitely.

31. Share Capital

	2007 *HK$'000*	2006 *HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	100,000	100,000
Issued and fully paid:		
1,247,001,488 (2006: 526,801,488) ordinary share of HK$0.01 each	12,470	5,268

A summary of the movements of the Company's issued capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Shares premium HK$'000	Total HK$'000
At 1 April 2006, ordinary shares of HK$0.1 each		658,501,863	65,850	34,698	100,548
Capital reorganisation	*(i)*	(526,801,491)	(64,533)	—	(64,533)
Open offer, net	*(ii)*	395,101,116	3,951	20,944	24,895
At 1 January 2007, ordinary shares of HK$0.01 each		526,801,488	5,268	55,642	60,910
Conversion of convertible notes	*(iii)*	570,200,000	5,702	53,546	59,248
Placing, net	*(iv)*	150,000,000	1,500	22,915	24,415
At 31 December 2007, ordinary shares of HK$0.01 each		1,247,001,488	12,470	132,103	144,573

Notes:

(i) Pursuant to the capital reorganization completed on 22 June 2006, 658,501,863 issued shares were consolidated into 131,700,372 shares on the basis of every 5 shares consolidated into 1 share. The nominal value of each issued consolidated share was then reduced from HK$0.1 each to HK$0.01 each by way of a reduction of capital. Accordingly, an amount of HK$64,533,183 from the share capital account was applied towards the elimination of part of the accumulated losses of the Company.

(ii) 395,101,116 new ordinary shares of the Company were issued under the Open Offer on 25 July 2006, proceed of approximately HK$23.05 million was being raised as working capital.

(iii) During the year, convertible notes with principal amount of HK$57,020,000 were converted into 570,200,000 ordinary shares at a conversion price of HK$0.10 per share.

(iv) 150,000,000 new ordinary shares of the Company had been issued at a placing price of HK$0.165 per share on 18 June 2007, proceed of approximately HK$24,415,000 was being raised as working capital.

32. Share Option Scheme

The Company adopted a Share Option Scheme (the "Scheme") on 6 March 2002. Under the terms of the Scheme, the board of directors of the Company (the "Board") may, at their discretion, grant options to selected persons to subscribe for shares in the Company as incentives or rewards for their contribution to the Group. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 30% of the issued share capital of the Company.

The subscription price will be determined by the Board and will not be less than the highest of (i) the nominal value of the shares on the date of the offer, (ii) the closing price of the shares on the date of grant of the options, and (iii) the average of the closing prices of the shares on the five business days immediately preceding the date of offer of the options. The total number of shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant. The Scheme is valid and effective for a period of ten years from the listing of the Company's shares on the GEM on 26 March 2002. Any options granted under the Scheme may be exercised at any time during a period to be notified by the Board to each grantee but may not be exercised after the expiry of ten years from the date of grant of the option. Upon acceptance of the option, the grantee must pay HK$1.00 to the Company by way of consideration for the grant.

On 3 July 2007, the Company granted share options to certain of its directors and employees at a nominal consideration of HK$1.00 for each lot of share option to subscribe for an aggregate of 2,970,000 shares under the Scheme at an exercise price of HK$0.219 per share.

(a) Details of share options granted during the year and remain outstanding as at year end

Name and categories of grantees	Date of grant	Exercise period	Exercise price per share	Number of options	
				2007	2006
			HK$		
Non-executive directors					
Duncan Chiu	3/7/2007	3/7/2007-5/3/2012	0.219	990,000	—
Richard Yen	3/7/2007	3/7/2007-5/3/2012	0.219	990,000	—
Sub-total				1,980,000	—
Employee					
In aggregate	3/7/2007	3/7/2007-5/3/2012	0.219	990,000	—
Total				2,970,000	—

(b) The fair value of options granted under the Scheme measured at the date of grant on 3 July 2007 was approximately HK$98,000. The following significant assumptions were used to derive the fair values using the Binomial Option Pricing Model:

Date of grant	3 July 2007
Time to maturity *(year)*	4.7
Expected volatility *(%)*	35.0
Risk-free interest rate *(%)*	4.5
Up movement probability *(%)*	49.9
Sub-optimal factor	1.5

Taken into consideration of early exercise behavior of the option holders, sub-optimal factor of 1.5 was used. Due to the recent business transformation of the Company, the historical volatility of the Company cannot fully reflect the stock price movement of new business of the Company. The calculation of expected volatility used the historical volatility of two comparable companies with similar business.

33. Employee Award Plan

The Company's employee award plan (the "Plan") was adopted by the Board of Directors on 24 July 2007 for the primary purpose of recruiting and motivating employees and directors to achieve superior performance. The Plan is valid and effective for 10 years commencing 24 July 2007. Under the Plan, the Remuneration Committee of the Company may conditionally grant an award to any directors or employee of the Company and its subsidiaries. Upon vesting of the award, the grantee shall be entitled to cash payment under the award if the vesting price exceeds award price, subject to an overall limit as stated in the award letter.

The amount of award payment shall be determined in accordance with the following formula:

(Vesting Price — Award price) x Award Number

Vesting price means the average closing price of the Company's shares as stated in the daily quotation sheets issued by the stock exchange for five business days immediately preceding the vesting date.

The following tables set out the movement in the Plan:

Year ended 31 December 2007

Name and categories of grantees	Date of grant	Date of expiry	Award number	Award Price	Overall limit of cash payment	Award granted during the year
				HK$	*HK$'000*	*HK$*
Director						
Gouw San Bo, Elizabeth	25 July 2007	31 December 2007	30,000,000	0.236	3,000	—
Lo Mun Lam, Raymond	25 July 2007	31 December 2007	5,000,000	0.236	500	—
Richard Yen	25 July 2007	31 December 2007	5,000,000	0.236	500	—
Sub-total			40,000,000		4,000	—
Employee						
In aggregate	25 July 2007	31 December 2007	85,000,000	0.236	8,500	—
Total			125,000,000		12,500	—

No grantee was entitled to any payment under the award during the year.

34. Reserves

The amounts of the Group's reserves and the movements therein for the current year and prior period are presented in the consolidated statement of changes in equity on page 34 of the financial statements.

Company

	Share premium *HK$'000*	Share-based payments reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2006	34,698	—	(100,855)	(66,157)
Capital reorganization	—	—	64,533	64,533
Issue of shares on open offer	21,730	—	—	21,730
Share issuance costs	(786)	—	—	(786)
Net loss for the period	—	—	(7,511)	(7,511)
At 31 December 2006 and 1 January 2007	55,642	—	(43,833)	11,809
Conversion of convertible notes	53,546	—	—	53,546
Placing of new shares — *note 31*	23,250	—	—	23,250
Cost of placing of new shares	(335)	—	—	(335)
Recognition of equity-settled share-based payments — *note 32*	—	98	—	98
Net loss for the year	—	—	(89,146)	(89,146)
At 31 December 2007	132,103	98	(132,979)	(778)

Note: The share premium account of the Company is the premium from the shares issued. Under the Companies Law of the Cayman Islands, the share premium is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when fall due in the ordinary course of business.

At 31 December 2007, in the opinion of the directors, there is no Company's reserves available for distributions to shareholders (2006: HK$11,809,000).

35. Disposal of Subsidiaries

	Year ended 31/12/2007 *HK$'000*	Period from 1/4/2006 to 31/12/2006 *HK$'000*
Net liabilities disposal of:		
Amounts due to group companies	(100,521)	(3,193)
Accrued liabilities	(335)	—
	(100,856)	(3,193)
Realisation of reserves	—	15
Gain on disposal of subsidiaries	385	1,698
A mounts waived by group companies	100,521	1,480
	50	—
Satisfied by:		
Cash	50	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	Year ended 31/12/2007 *HK$'000*	Period from 1/4/2006 to 31/12/2006 *HK$'000*
Cash consideration	50	—
Cash and bank balances disposed of	—	—
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	50	—

36. Related Party Transactions

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group and the Company had the following material transactions with related parties during the year/period:

		Group	
		Year ended 31/12/2007	**Period from 1/4/2006 to 31/12/2006**
	Notes	*HK$'000*	*HK$'000*
Management fee charged by a related company	*(i)*	984	495
Sales to a jointly controlled entity	*(ii)*	11	—
Purchases from a jointly controlled entity	*(iii)*	3,446	—
Management fee income charged to a jointly controlled entity	*(iv)*	340	—
Subsidy received from a jointly controlled entity and deducted the cost of leasehold improvements	*(v)*	100	—
		Company	
Management fee income charged to subsidiaries	*(vi)*	780	—

Notes:

(i) Management fee was charged at a rate mutually agreed between the Group and the related company in which certain directors of the Company's subsidiary have beneficial interests, by reference to sharing of office premises and supplies, and manpower in provision of administrative services to the Group.

(ii) Sales to a jointly controlled entity were carried out at cost.

(iii) Purchases from a jointly controlled entity were carried out in accordance with the negotiated prices with reference to market price.

(iv) Management fee income was charged at a rate mutually agreed between the Group and a jointly controlled entity and based on the cost of the administrative services provided by the Group.

(v) Subsidy received from a jointly controlled entity was based on a pre-agreed fixed amount.

(vi) Management fee income was charged by the Company based on the cost of manpower in provision of human resource services to the subsidiaries.

(b) On 15 August 2007, Better Point Limited ("Better Point"), a wholly-owned subsidiary of the Company, entered into an agreement with Austen Limited ("Austen") in which Mr. Richard Yen, a director of the Company, has interest, to establish CR Hong Kong Limited ("CR Hong Kong") which will principally engage in the holding of licensing rights including without limitation the investment in design, manufacturing and distribution of fashion and life style product of the brand called Cynthia Rowley.

(c) The Group's related company has guaranteed the trust receipt loans and bank overdrafts made to the Group's subsidiary up to HK$4,000,000 and HK$1,000,000 respectively at nil consideration. At the balance sheet date, such guarantee has been released by the related company.

37. Contingent Liabilities

At the balance sheet date, the Company has given unlimited corporate guarantees (2006: unlimited) to banks to secure the banking facilities granted to its subsidiaries. Facilities amounting to HK$12,490,038 (2006: HK$5,429,000) were utilized at the balance sheet date.

38. Operating Lease Arrangements

The Group leases certain retail shops and office premises under operating lease arrangements. Leases for retail shops and office premises are negotiated for terms ranging from 1 to 3 years. At the balance sheet date, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	14,783	6,301
In the second to fifth years, inclusive	13,581	4,618
	28,364	10,919

The operating lease rentals of certain retail shops in Hong Kong are based on the higher of a fixed rental or contingent rent based on sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these retail shops could not be accurately determined, the relevant contingent rents have not been included above and only the minimum lease commitments have been included in the above table.

The operating lease rentals of certain retail shops in Taiwan are based solely on the sales of the outlets. In the opinion of the directors of the Group, as the future sales of the retail outlets could not be accurately estimated, the relevant rental commitments have not been included above table.

39. Commitments

In addition to the operating lease commitments detailed in note 38 above, the Group and the Company had the following commitments at the balance sheet date:

(a) Commitments under license agreements in respect of several brand name products:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Minimum purchases:		
Within one year	26,451	19,072
In the second to fifth years, inclusive	92,017	86,151
Beyond five years	—	6,649
	118,468	111,872

(b) Capital commitments

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Acquisition of a subsidiary *(note i)*	89,086	—
Legal and professional fee related to the acquisition	981	—
	90,067	—

Note (i): On 8 November 2007, the Company entered into an acquisition agreement in relation to the acquisition of 96.57% of the issued shares in Financière Solola and EUR1,400,000 convertible bonds issued by Financière Solola for an initial consideration of EUR7,717,766 and an Earn Out payment with a maximum amount of EUR2,894,162 which is subject to the audited consolidated EBITDA of the Financière Solola Group for the year ending 31 December 2008 based on the French GAAP. The above amount only represents the initial consideration of EUR7,717,766, which is equivalent to approximately HK$89,086,000.

In addition, the Company agreed that if the acquisition is not completed on or before a final cut-off date which defined in the acquisition agreement, the Company shall pay to the sellers, a break-up fee of EUR1,000,000 on or before 7 May 2008 or, the date falling 5 days after final cut-off date, provided that no such break up fee shall be payable in the event of fraud, negligence or willful default on the part of the sellers or where the sellers fail to comply with any of their material obligations with the acquisition agreement.

The transaction is yet to be approved by the shareholders.

(c) Pursuant to a shareholders agreement dated 21 February 2007 and a supplemental agreement dated 23 February 2007 entered into between Profit First Investments Limited ("Profit First"), a wholly owned subsidiary of the Company, and Zion Worldwide Limited ("Zion Worldwide"), a venturer of jointly controlled entity namely LOC Limited ("LOC"), Profit First has agreed to pay an earn-out payment to Zion Worldwide. The earn-out payment is based on the consolidated and audited net profit of LOC during the period from 1 March 2007 to 31 December 2010 with a minimum payment of HK$3,000,000 but in any event not exceeding HK$7,500,000. At 31 December 2007, the commitment on the earn-out payment is with minimum of HK$2,348,000.

(d) Pursuant to a shareholders agreement dated 15 August 2007 entered into between Better Point Limited ("Better Point"), a wholly owned subsidiary of the Company, and Austen Limited ("Austen"), a venturer of jointly controlled entity namely CR Hong Kong Limited ("CR Hong Kong"), Better Point and Austen have agreed to inject capital by equity and by way of shareholders' loans to CR Hong Kong in equal share in the total sum of HK$12,000,000. The proportion of the equity and shareholders' loans shall be agreed between Better Point and Austen. At 31 December 2007, Better Point has the outstanding commitment of HK$5,532,000 for the capital inject into CR Hong Kong.

40. Post Balance Sheet Events

The following events have occurred subsequent to 31 December 2007:

(a) On 4 February 2008, the Board announced that the Company proposes to raise funds ranging from approximately HK$56.86 million to approximately HK$57.00 million, before expenses, by way of the Rights Issue of not less than 997,601,190 Rights Shares and not more than 999,977,190 Rights Shares at the Subscription Price of HK$0.057 per Rights Share. The basis of the Rights Issue is four Rights Shares for every five existing ordinary shares of the Company held on 12 March 2008. Further details of the transaction are also set out in a prospectus, circular and an announcement of the Company dated 14 March 2008, 25 February 2008 and 4 February 2008, respectively.

(b) On 18 February 2008, Better Point Limited ("Better Point"), a directly wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Austen Limited to purchase its entire interests in CR Hong Kong Limited ("CR Hong Kong") which is a jointly controlled entity of Better Point. Upon the completion of the acquisition, CR Hong Kong becomes an indirectly wholly owned subsidiary of the Company.

(c) On 18 February 2008, the Company entered into a subscription agreement (as amended by a supplemental agreement dated 7 March 2008) with Chung Chiu Limited ("Chung Chiu") whereby Chung Chiu agreed to subscribe for the convertible bonds in the principal amount of HK$40,000,000 to be issued by the Company for a term of 3 years with a coupon rate of 2% per annum. Further details of the transaction are also set out in a circular and an announcement of the Company dated 12 March 2008 and 20 February 2008, respectively.

41. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities, other than derivatives, comprise interest-bearing bank loans, finance leases, and trade and bill payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables as well as deposits, prepayments and other receivables, which arise directly from its operations.

The Group also enters into derivative transactions, primarily forward currency contracts. The purpose is to manage currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The board of directors reviews and agrees policies for managing each of the risks which are summarized below. The Group's accounting policies in relation to derivatives are set out in note 4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its bank borrowings with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax** *HK$'000*	**Increase/ (decrease) in equity** *HK$'000*
2007			
Hong Kong dollar	50	67	(67)
Hong Kong dollar	(50)	(67)	67
2006			
Hong Kong dollar	50	69	(69)
Hong Kong dollar	(50)	(69)	69

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from purchases by operating units in currencies other than the units' functional currency. Approximately 87% (period ended 31 December 2006: 100%) of the Group's purchases are denominated in currencies other than the functional currency of the operating units. The Group manages the foreign exchange exposure arising from its normal course of business activities through forward currency contracts. The management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As at the balance sheet date, all balances in foreign currencies other than the functional currency of the operating units have been substantially hedged by foreign exchange forward contracts. Thus, no sensitivity analysis on the foreign currency risk is presented.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2007					
Interest-bearing loans and borrowings	806	9,361	3,396	805	14,368
Trade and bills payables	—	2,593	—	—	2,593
Other payables and accruals	—	15,114	—	—	15,114
	806	27,068	3,396	805	32,075

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2006					
Interest-bearing loans and borrowings	2,471	4,867	5,122	2,785	15,245
Trade and bills payables	—	3,116	—	—	3,116
Other payables and accruals	—	3,212	—	—	3,212
	2,471	11,195	5,122	2,785	21,573

Credit risk

The Group has no significant concentration of credit risk. The Group deals mainly with retail customers who pay with cash and credit cards. The Group's trade receivables mainly represented by receivables from banks in respect of sales settled by customers through credit cards in Hong Kong and shopping malls that collected sales proceeds in Taiwan on behalf of the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

42. Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue net shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the year ended 31 December 2007 and the period from 1 April 2006 to 31 December 2006.

The Group monitors capital using a gearing ratio, which is borrowings divided by the total of borrowings and equity. Borrowings includes interest-bearing borrowings and convertible notes. Equity includes total equity less equity components of convertible notes. The gearing ratios as at the balance sheet dates were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Borrowings:		
Interest-bearing bank and other borrowings	14,368	15,245
Convertible notes — equity and liability components	—	59,504
	14,368	74,749
Equity:		
Total equity	11,753	31,548
Convertible notes — equity components	—	(11,316)
	11,753	20,232
Borrowings and equity	26,121	94,981
Gearing ratio	55%	79%

43. Comparative

The comparative amounts shown for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and related notes cover the period from 1 April 2006 to 31 December 2006 and therefore may not be comparable with amounts shown for the current year.

Certain comparatives are reclassified during the year to conform current year's presentation.

44. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 20 March 2008.

3. UNAUDITED FINANCIAL STATEMENTS

Set out below are the unaudited financial statements together with the relevant notes thereto as extracted from the third quarterly report of the Company for the nine months ended 30 September 2008.

Condensed Consolidated Income Statement — Unaudited
For the nine months ended 30 September 2008

	Note	For the three months ended 30 September 2008 HK$'000	For the three months ended 30 September 2007 HK$'000	For the nine months ended 30 September 2008 HK$'000	For the nine months ended 30 September 2007 HK$'000
TURNOVER		15,926	17,427	51,177	39,454
Cost of sales		(7,516)	(5,998)	(23,298)	(13,845)
Gross profit		8,410	11,429	27,879	25,609
Other revenues and gains	*4*	276	2,702	5,354	6,071
Selling and distribution costs		(742)	(1,558)	(2,497)	(2,085)
Administrative expenses		(24,713)	(14,032)	(58,386)	(29,353)
Other expenses and losses	*5*	(131)	—	(13,705)	—
Finance costs	*6*	(426)	(346)	(1,097)	(1,254)
Share of loss of jointly controlled entities		—	(180)	—	(233)
PROFIT/(LOSS) BEFORE TAX	*7*	(17,326)	(1,985)	(42,452)	(1,245)
Tax	*8*	—	(213)	(12)	(734)
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		(17,326)	(2,198)	(42,464)	(1,979)
DIVIDEND	*9*	—	—	—	—
Earnings/(loss) per share	*10*				
Basic		(6.40) cents	(0.88) cents	(16.53) cents	(0.99) cents
Diluted		N/A	N/A	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

1. General Information

Golife Concepts Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 11 June 2001 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 26 March 2002.

The registered office and principal place of business of the Company are located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands and Suite A, 15/F., Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong respectively.

The Company's principal activity is investment holding. The principal activity of its subsidiaries is distribution of high-end apparel and accessories.

2. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial statements (the "Financial Statements") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants; accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

The accounting policies and basis of preparation adopted in the preparation of the Financial Statements are consistent with those adopted in annual financial statements for the year ended 31 December 2007.

All significant transactions and balances within the Group have been eliminated on consolidation.

The Financial Statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

3. Turnover

The Group's principal activity is distribution of high-end apparel and accessories. Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered.

4. Other Revenues and Gains

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank interest income	230	13	591	13
Fair value gain on financial assets at fair value through profit or loss	—	—	—	346
Profit on disposal of financial assets at fair value through profit or loss	16	2,180	16	5,040
Profit on disposal of derivative financial instruments	—	—	3,057	—
Profit on disposal of subsidiaries	—	392	—	392
Management services income	30	117	90	280
Waiver of other payable	—	—	1,600	—
	276	2,702	5,354	6,071

5. Other Expenses and Losses

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fair value loss on financial assets at fair value through profit or loss	31	—	482	—
Loss on disposal of financial assets at fair value through profit or loss	100	—	140	—
Loss on disposal of derivative financial instruments	—	—	783	—
Break-up fee for a terminated acquisition *(note)*	—	—	12,300	—
	131	—	13,705	—

Note: Upon termination of the agreement to purchase 96.57% of a French company, a break-up fee of EUR 1 million was paid to the counterparties accordingly.

6. Finance Costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest on convertible notes	145	—	161	498
Interest on bank loans and overdrafts wholly repayable within five years	268	346	897	743
Interest on finance leases	13	—	39	13
	426	346	1,097	1,254

7. Profit/(Loss) before Tax

Profit/(loss) before tax is arrived at after charging:

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost of inventories sold	7,516	5,998	23,298	13,845
Depreciation	1,097	460	3,521	931
Minimum lease payments under operating leases on land and buildings	5,401	3,774	15,344	9,357

8. Tax

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current income tax				
Hong Kong	—	131	—	637
Overseas	—	82	—	97
Under provision for prior years				
Overseas	—	—	12	—
	—	213	12	734

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period. In the corresponding period last year, Hong Kong profits tax was provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of tax prevailing in the countries in which the Group operates.

9. Dividend

The Board does not recommend the payment of dividend for the nine months ended 30 September 2008 (2007: Nil).

10. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

	For the nine months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
Profit/(loss) attributable to shareholders	(42,464)	(1,979)
	Number of shares	
Weighted average number of ordinary shares in issue	256,820,965	199,403,008

Diluted earnings/(loss) per share is not presented as the convertible bonds and share options had antidilutive effects.

The weighted average number of ordinary shares in issue has been adjusted for the effect of share consolidation on 13 August 2008.

11. Reserves

	Share premium	Equity component of convertible notes	Share-based payments reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	55,642	11,316	—	(40,678)	26,280
Conversion of convertible notes	53,300	(11,316)	—	—	41,984
Placing of new shares	23,250	—	—	—	23,250
Cost of placing of new shares	(335)	—	—	—	(335)
Loss for the period	—	—	—	(1,979)	(1,979)
As at 30 September 2007	131,857	—	—	(42,657)	89,200
At 1 January 2008	132,103	—	98	(132,918)	(717)
Issue of convertible bonds	—	5,587	—	—	5,587
Conversion of convertible bonds	1,673	(89)	—	—	1,584
Loss for the period	—	—	—	(42,464)	(42,464)
As at 30 September 2008	133,776	5,498	98	(175,382)	(36,010)

12. Comparative Figures

Certain comparative figures have been reclassified to conform with current period's presentation.

4. STATEMENT OF INDEBTEDNESS

Borrowings

At at the close of business on 30 November 2008, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had total outstanding borrowings of approximately HK$61,586,000, comprising (i) interest bearing bank borrowings of HK$15,711,000; (ii) unsecured finance lease obligations of HK$675,000; and (iii) convertibles bonds of approximately HK$45,200,000 of which HK$3,200,000 bear 2% interest per annum and will be due for repayment by June 2009; HK$7,000,000 bear 2% interest per annum and will be due for repayment by July 2011; and HK$35,000,000 bear no interest and will be due for repayment by August 2011. The bank borrowings are secured by personal guarantees provided by directors of a subsidiary of the group and corporate guarantee provided by the Company and the Group's related company.

Commitments

(i) Operating leases commitments

As at 30 November 2008, the Group had operating lease commitments of approximately HK$30,679,000. Certain of the operating leases of shops operated by the Group in Hong Kong and Taiwan charge at the higher of basic rent, if any, or turnover rent ranging from 12% to 25% of turnover. The amount of HK$30,679,000 is calculated based on basic rent.

(ii) Purchase commitments

As at 30 November 2008, the Group had purchase commitments of approximately HK$114,671,000.

Debt securities

As at the close of business on 30 November 2008, the Group had no debt securities.

Contingent Liabilities

As at the close of business on 30 November 2008, the Group did not have any material contingent liabilities.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at the close of business 30 November 2008, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

5. WORKING CAPITAL

As at the Latest Practicable Date, after taking into account the Open Offer, the available credit facilities as described in more detail in the above section "Statement of indebtedness" and internal resources (for example, cash generated from operating activities) of the Group, the Directors are of opinion that the Group has sufficient working capital for its normal business for the next twelve months from the date of this circular.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007 (being the date to which the latest published audited financial statements of the Company were made up).

FOR THE YEAR ENDED 31 MARCH 2005

Financial Results

During the year under review, the group continues to engage in the design, development and sale of location based technology devices and applications in Hong Kong. The market conditions of the business remained harsh and very competitive.

The Group recorded a turnover of approximately HK$1.44 million for the year ended 31 March 2005, representing a decrease of approximately HK$13.33 million or 90% as compared with last year's HK$14.78 million. The loss attributable to shareholders is approximately HK$17.16 million.

Business Review

Due to the growth of business in car security monitoring market condition of the Group, a self-owned and well equipped control centre has already been sat up to meet its demand. A team of well-trained control centre operators serves the clients 24 hours a day; 7 days a week. We believe our services have been improved after we have taken up the role of car security monitoring from our co-partner.

The hard effort in developing our products and services in target segment is going on. The number of members for subscription of service is gradually increased especially we have jointly worked with Canful Motors Limited. We are keeping close touch with other great luxurious private car dealers to seek for opportunity to enlarge our business with them.

The Group is now re-engineering its products by developing GPRS solution replacing currently using SMS message. The costs for communication channel will substantially be reduced.

With the continued improvement of the economies in Hong Kong, the import of great luxurious private car becomes more favorable. It is believed that the demand for security monitoring system would increase. Nevertheless, the prospect for the security monitoring industry is still challenging due to keen competition from local and PRC competitors. As such, the Group would stay vigilant over the market environment and would maintain a prudent and conservative approach to its business.

In order to improve the Group's operating results, the Group will continue to implement stringent cost control measures.

Capital Structure

There has been no change in the capital structure of the Company during the year under review. The capital of the Company comprises only ordinary shares.

Financial Resources And Liquidity

As at 31 March 2005, the Group has total assets of approximately HK$17.8 million, which was mainly financed by current liabilities of approximately HK$12.7 million and shareholders' fund amounting to approximately HK$5.1 million. The ratio of total liabilities over the shareholders' funds is at 2.47 as at 31 March 2005.

Current assets amounted to approximately HK$0.8 million which mainly comprised of approximately HK$0.3 million inventories and HK$0.1 million cash and bank balance. The working capital ratio is 0.06 as at 31 March 2005.

The Group had no banking facilities available or any bank loans outstanding as at 31 March 2005.

The Directors believe that the Group has a strong financial position. The Group is comfortable that existing financial resources will be sufficient for future expansion plans. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain financing on favorable terms.

Foreign Exchange Exposure

The revenues of the Group are denominated mostly in Hong Kong Dollars. The group has minimal exposure to foreign exchange fluctuations and seldom needs to make use of financial instruments for hedging purposes.

Charges on Group Assets and Contingent Liabilities

As at 31 March 2005, there was no charge made on the Group's assets and any material contingent liability outstanding.

Employees

As at 31 March 2005, the Group had a total of 20 employees as comparing to 24 last year, who are engaged in the following operations:

Engineering and R&D	10
Sales and marketing (including field application engineers)	4
Finance, accounting, operation and administration	6
Total headcount	20

Employees in both Hong Kong and Mainland China are remunerated according to their performance and work experience. In addition to basic salaries, staff benefits include medical scheme, share options and performance bonus.

Significant Investments/Material Acquisitions and Disposals of Subsidiaries

During the year, the Group had no significant investments and no material acquisitions or disposal of subsidiaries.

Future Prospects

As per keen competition, our management team was very cautious in using the precious financial resources of the Group. We have focused on the fleet management and security monitoring system on vehicles. We expect we would diversify our products and services in Macau and PRC. The group would fine-tune its existing operations and strive for long term returns for the Company and our shareholders.

FOR THE YEAR ENDED 31 MARCH 2006

Financial Results

For the year ended 31 March 2006, the Company and its subsidiaries (collectively the "Group") continued to focus on the security monitoring services and recorded an audited consolidated turnover of HK$1,359,000, which was trading at a similar level as of last year. The loss attributable to shareholders (the "Shareholders") of the Company this year of HK$17.73 million was also at a similar level as of last year. However, for the year ended 31 March 2006, staff cost was reduced by approximately HK$0.50 million and the successful recovery of an amount of bad debt provision, amounting to HK$2.50 million was also recorded. These savings were offset by the provision made against out-dated equipment and software amounting to HK$5.83 million. The market for our services has not grown since the last financial year, although the market in general remained very competitive.

Business Review

In 2005 and the first quarter of 2006, the Group continued to operate under keen competition. The Group has been exploring opportunities and additional sales channels for its 3G Skyeye Monitoring System by cooperating with other car dealers and insurance companies but the response from the insurance companies has not been encouraging. In August 2005, Mr. Tsoi resigned from the Group as Chairman of the board (the "Board") of directors, Chief Executive and Executive Director. The Group immediately sought qualified replacements. To strengthen the business prospects of the Group, additional directors were recruited to provide advice and service support. Furthermore, the Group also tried to improve its operational efficiency by reducing its administration headcounts and mitigating its overhead expenses by implementing tight operational control. For the year ended 31 March 2006, the Group was in pursuit of capital improvements, rationalizing and strategizing its operations to promote the return of profitability.

Capital Structure

The Board announced on 25 November 2005 that the Company and Executive Talent Limited (the "Creditor") entered into a deed on 10 October 2005 whereby the Company proposed to issue 67,585,863 shares (the "Loan Shares") at HK$0.10 each to the Creditor as full repayment of a loan owed by the Company to the Creditor (the "Loan Capitalisation"). The Loan Shares represent approximately 11.44% of the issued share capital of the Company prior to the completion of the Loan Capitalisation and approximately 10.26% of the enlarged share capital of the Company upon completion of the Loan Capitalisation which took place on 9 December 2005. It was also announced that the Board intended to put forward proposals to the Shareholders in relation to the (1) proposed capital reorganisation; (2) proposed open offer; and (3) proposed acquisition. All the proposals were submitted to the Shareholders for their approval in the extraordinary general meeting of the Company (the "EGM") held on 20 April 2006. The Directors are delighted to mention that all the special resolutions proposed at the EGM were approved, the approval of which will greatly enhance the future operations of the Group. The proposed capital reorganisation of the Group became effective on 22 June 2006.

Financial Resources and Liquidity

As at 31 March 2006, the Group has total assets of approximately HK$0.5 million, which was mainly financed by current liabilities of approximately HK$1.5 million, non-current liabilities of approximately HK$4.8 million and shareholders' deficits amounting to approximately HK$5.8 million. The ratio of total liabilities over the shareholders' fund is not applicable as at 31 March 2006 as the shareholders' fund is negative.

Current assets amounted to approximately HK$0.5 million which is mainly comprised of trade receivable and cash and bank balance of approximately HK$0.3 million and HK$0.1 million respectively. The working capital ratio is 0.30 as at 31 March 2006.

The Group had no banking facilities available or any bank loan outstanding as at 31 March 2006.

Foreign Exchange Exposure

The revenue of the Group was denominated mostly in Hong Kong Dollars. The Group has minimal exposure to foreign exchange fluctuations and seldom needs to make use of financial instruments for hedging purpose.

Charges on Group Assets and Contingent Liabilities

As at 31 March 2006, there was no charge made on the Group's assets and any material contingent liability outstanding.

Employees

As at 31 March 2006, the Group had a total of 15 employees as comparing to 20 last year, who are engaged in the following operations:

Engineering and R & D	9
Sales and Marketing (including field application engineers)	1
Finance, accounting, operation and administration	5
Total headcount	15

Employees in both Hong Kong and Mainland China are remunerated according to their performance and work experience.

Significant Investment and Material Acquisitions and Disposals of Subsidiaries

As reported in the circular to Shareholders dated 27 March 2006, the Group proposed to acquire the entire share interest of Hip Kin Retailing Limited. The proposed acquisition was approved by the Shareholders at the EGM of 20 April 2006. Hip Kin Retailing Limited has been the exclusive distribution of (i) London based Anya Hindmarch, a brand offering chic designer ladies' handbags, leather accessories, luggage, shoes and apparel, in Hong Kong since 1995 and in Taiwan since 2002; (ii) Paris-based Paule Ka, a women's wear design house offering a "young couture" style that appeal to women who opt for subtly elegant designer apparel, in Hong Kong since 2002. The whole consideration is HK$80 million, payable in cash and convertible notes upon completion.

Save as the above, the Group had no significant investments and no material acquisition or disposal of subsidiaries during the year.

Future Prospects

Leveraging on its own brand name, the Group will continue to provide services and product solutions of the locationbased technology and innovations to its high-income clientele in Hong Kong. The Group's services and product solutions are still suffering from fierce competition in terms of pricing and function variety that may hamper the Group's number of subscribers in the future. In order to maintain the Group's competitiveness, the management has directed the in-house engineering team to improve the services by concentrating on certain state-of-the-art developments. We also monitor all newly introduced solutions offered by our competitors to stay ahead within the market.

In view of the positive economic growth in Hong Kong, the management will devote more effort to ensure the acquired businesses of Hip Kin Retailing Limited contribute to the future profitability of the Group. We are expecting the completion of this acquisition and the open offer made for new shares in the later part of July 2006. The successful implementation of the proposed transactions shall strengthen both the financial position and profitability of the Group substantially.

FOR THE NINE MONTHS PERIOD ENDED 31 DECEMBER 2006

Overview

During the period, the Group changed its year-end to 31 December. Hence, the results of the period under review are effectively the results of the 9 months ended 31 December 2006.

The Group underwent a period of significant change and growth in the nine months period under review and recorded the following developments:—

— Key changes in management personnel

— Open offer raised HK$23.73 million in net proceeds

— Acquired 100% interest in Golife (Hong Kong) Limited (formerly Hip Kin Retailing Limited), which holds the Greater China distribution rights of luxury fashion brands Anya Hindmarch and Paule Ka, at HK$81 million in cash and convertible notes

To reflect the change in business nature of the Group, we changed the name of the Company from "Satellite Devices Corporation" to "Golife Concepts Holdings Limited" in October 2006.

Turnover of the Group was approximately HK$18,885,000 for the period, representing an increase of 1,290% against the entire FY2005. The Group turned around its business to report profit attributable to shareholders of HK$1,148,000 against loss attributable to shareholders of HK$17,726,000 in last year. Excluding an interest charge of HK$1,484,000, which was arising from the remeasurement of the fair value of liabilities component of Convertible Notes amounting to HK$49,521,000, profit attributable to shareholders would be HK$2,632,000. Subsequent to the year-end, HK$37,100,000 of the Convertible Notes, of which the convertible price is HK$0.10, have been converted. Should the remaining Convertible Notes be fully converted within 2007, no similar charge shall be made in the Profit and Loss Account.

The Group's improved financial results is owed mainly to the acquisition of 100% equity interest in Golife (Hong Kong) Limited completed on 31 July 2006 (the "Acquisition").

During the nine months period under review, the Group made an open offer of 395,101,116 shares and raised net proceeds of HK$23.73 million. HK$18.48 million of the proceeds was used for the Acquisition, and the balance of HK$5.25 million as working capital of the Group. HK$1.85 million is earmarked for brand marketing. The Group's financial position has strengthened as a result of these transactions.

The five-month results of Golife (Hong Kong) Limited after the Acquisition was completed had been consolidated into the Group's account. Golife (Hong Kong) Limited had contributed positively and significantly to the profitability and cash flows of the Group.

A previous shareholder of Golife (Hong Kong) Limited, Chung Chiu Limited, provided a profit guarantee to the Group, as a condition of Sale and Purchase, of no less than HK$10,000,000 of net profit before tax for the year ended 31 March 2006. Golife (Hong Kong) Limited announced on 27 September 2006 that its net profit before tax for the year was HK$9,333,387. As agreed, Chung Chiu Limited paid the Group the shortfall of guarantee profit of HK$666,613.

Operational Review

During the nine months period, the Group's apparel and accessories distribution business made HK$18.34 million in turnover and gross profit of HK$11.02 million, translating into a gross profit margin of 60%. Demand for products of the two brands currently carried by the Group, namely London-based Anya Hindmarch and Paris-based Paule Ka, was strong driven by favourable economic conditions in Hong Kong and Taiwan. The Group believes the net margin of the business will improve with rental of shop space peaked in 2006 and expected to come down in 2007, hence lower rental cost of the business is expected.

As for the Group's location-based auto-recovery business, it reported a turnover of HK$0.54 million. Competition remained keen with players making continuous capital investment and pushing for technological innovation. The Board will carefully monitor the performance of this business and will consider ceasing this business unit as soon as practicable if it does not achieve desirable profitability in the near term.

Future Plans and Prospects

The strong macro economic environment of the Greater China region is favorable for the Group's luxury consumer products distribution business. The Board believes the Group is poised to capture opportunities in the region in the next few years to achieve rapid growth.

On February 2007, the Group entered into an Agreement with Zion Worldwide Limited ("Zion Worldwide") to establish LOC Limited ("LOC"), with Profit First Investment Limited and Zion Worldwide owning equal stake. LOC will wholesale, design, source, merchandise and market lifestyle consumer products including but not limited to jewellery and accessories under the Life of Circle trademark. Created by award-winning designer Dickson Yewn, Life of Circle is an accessories brand that infuses Chinese philosophy into product designs. The brand offers concept 'bridge' jewelry and accessories. The world-renowned brand received the DTC Diamond Award in 2004, and its store was named by Forbes magazine as among the world's top 25 stores in 2005.

When the transaction is completed, Dickson Yewn and Zion Worldwide will transfer and assign to the new company all LOC IP Rights and existing Trademark-related products, and Golife will be involved in brand management and product development of LOC. Golife will also be the exclusive agent to market, distribute, promote or conduct deals of the products in overseas markets. In Hong Kong, it will open as many as 4 mono-brand stores for LOC in premium shopping malls and be responsible for wholesale arrangements with other prestigious multi-brand stores.

With Life of Circle added to its portfolio, the Group is prepared to aggressively expand its luxury consumer products distribution business in 2007.

For Anya Hindmarch, the Group has secured prime shop spaces and will open two new stores in Taiwan in mid-2007 and one new store in Hong Kong in the second half of 2007. For Paule Ka, the Group will open a second and third store in Hong Kong in the third quarter of 2007. For Life of Circle, the Group has plans for two stores in premium shopping malls in Hong Kong. Upon completion of these expansion plans, the Group will have a total of 13 points of sales compared to 6 as at 31 December 2006.

The Group will continue to identify and forge equity and/or distribution partnership with unique fashion and lifestyle-product brands with character, market potential and longevity. It will focus on a "vertical brandraising" model, which will enable it to attract more "up-and-coming" brands in Greater China to become its partners. The Group targets to double its points of sales every 18 months.

The Group also plans to start distributing products and setting up retail operations in Mainland China, the fastest growing economy in Asia. It expects to complete mapping out related strategy and mechanism in the near future. The Group is confident of capturing the demand for luxury products in key Mainland cities.

Liquidity and Financial Resources

The Group had cash and bank balances of HK$3.43 million as at 31 December 2006. To achieve a higher return for working capital, the Group also held short-term investments, mainly derivatives and equity listed in Hong Kong, totaling HK$6.20 million.

The Group will continue to improve its financial position. With positive cash inflow from operations and secured banking facilities, the Group has sufficient financial resources to meet its commitments and working capital requirements.

FOR THE YEAR ENDED 31 DECEMBER 2007

Financial Review

Financial year 2007 was a significant and challenging year for the Group. It saw rapid development of brands represented by the Group and growth of the Group's distribution business. Significant financial and human resources were deployed in strengthening and re-structuring the management team and operational units to ensure the Group is able to meet the anticipated expansion of demand in 2008.

Turnover of the Group was approximately HK$60,598,000 for the year, representing an increase of 221% compared with the period from 1 April 2006 to 31 December 2006. Gross profit was HK$37,768,000, representing approximately 62% of turnover. Loss attributable to shareholders after tax was HK$92,240,000. In accordance with Hong Kong Accounting Standard 36, the Group recognised a one-time write-off of goodwill of HK$75,552,000; such goodwill was attributable to the acquisition of Golife (Hong Kong) Limited (formerly known as "Hip Kin Retailing Limited") in 2006. An impairment of intangible assets of HK$4,047,000 was also recognised.

During the year, the Group added two new brands, Cynthia Rowley and Life of Circle, to its distribution business and commenced product design and development for both brands. As a result, certain one-off pre-opening expenses were incurred, which contributed negatively to the financial performance that would have been achieved otherwise.

Distribution Business

Distribution business for two luxury brands, Anya Hindmarch and Paule Ka, continued to grow steadily. British accessory brand Anya Hindmarch remained the Group's main revenue contributor accounting for 72% of the Group's turnover. Turnover from Anya Hindmarch was HK$43,831,000, of which 69% was derived in Hong Kong and the remaining 31% from Taiwan. Turnover from the Paris-based women's wear brand Paule Ka was HK$12,931,000.

In March 2007, designer jewellery and accessory brand, Life of Circle, was added to the Group's distribution portfolio. Two points of sale ("POS") of the brand commenced operation during the year in Hong Kong, with the third one scheduled to open in April 2008. During the year, distribution business for Life of Circle achieved a turnover of HK$3,774,000 and reported a loss of HK$2,641,000. The Group believes the Life of Circle brand has enormous long-term potential, and it is only a matter of time for the brand to reach the critical mass.

In September 2007, the Group became the licensee and distributor of New York-designer brand Cynthia Rowley in Hong Kong and mainland China. The Group had secured two premises in Hong Kong and one in Beijing for setting up POS of the brand, the first of which will open in May 2008. Under the licensing agreement, the Group plans to open up to 20 POS for the brand by 2013, some of which will be opened in second-tier cities in mainland China to be operated by individual franchisees.

During the year, the Group strengthened its management by recruiting managers for its distribution and marketing departments to ensure that the manpower of these departments are sufficient to support the expansion of the Group's distribution business in the Greater China region. With a number of new POS to open in 2008, the Directors believe the Group will be able to achieve greater economies of scale and brace the performance of the distribution business and operating margins in 2008.

Product Development

Life of Circle Limited, which was formed in February 2007, and in which the Group had a 50% interest is responsible for the design, sourcing, merchandise planning and wholesale of conceptual jewellery and accessories carrying the Life of Circle trademark.

The new Life of Circle operation, which gave the Group indirect interest of the trademark, has transformed the Group from a pure distribution company into also a brand development and management company. The Group now works closely with Life of Circle Limited to ensure marketability and profitability of Life of Circle products. The Group plans to double the number of new jewellery products and introduce a new line of corporate gifts in 2008 to meet market demand.

CR Hong Kong Limited, a company in which the Group had a 50% interest as at 31 December 2007, was granted the licensing rights to design, manufacture and distribute products carrying the Cynthia Rowley trademark in Hong Kong and mainland China. It handles the design, sourcing and merchandise planning of women's apparels and accessories under the Cynthia Rowley trademark.

Expecting Cynthia Rowley brand products to contribute revenues in a decent proportion to its total revenues in the next few years, the Group has deployed resources to strengthen product development and sourcing capabilities in Hong Kong and mainland China to support the brand. The different measures taken included conducting focused market researches and recruitment of designers and merchandisers for the brand.

Acquisition of French-brand Solola

On 8 November 2007, the Group signed an agreement with Crédit Lyonnais Capital Investissement, Crédit Lyonnais Développement 2, Mr. Pierre Hémar, Lion Capital Investissement, Nollius BV and Quilvest France ("the Sellers") to purchase the sale shares, representing 96.57% of the issued share capital of Financière Solola and FS Convertible Bonds at a total initial consideration of EUR7,717,766 (approximately HK$92,381,659). Upon conversion of the FS Convertible Bonds, the Company's interest in Financière Solola will increase to approximately 98.25%.

In addition to the initial consideration and upon satisfaction of certain EBITDA targets set in the agreement, the Group will pay to the Sellers the Earn Out – a one-off performance related payment of EUR2,894,162 (approximately HK$34,643,119). If the audited consolidated EBITDA of Financière Solola Group for the year ending 31 December 2008 based on the French GAAP is equal to or in excess of the EBITDA Target, the Earn Out shall be capped at EUR2,894,162 (approximately HK$34,643,119). (Note: Euro/Hong Kong Dollar = 11.97, as per circular dated 8 March 2008)

Financière Solola was incorporated on 6 February 2003 and the Financière Solola Group is principally engaged in the design and sale of women's apparels carrying the "Solola" brand. "Solola" products are sold in 13 boutiques of the brand in France as well as a network of over 500 wholesale points in France and worldwide.

The acquisition will give the Group equity ownership of an established French brand in Europe and will boost the Group's design and product development capabilities. On top of bringing in revenues and profits, Financière Solola becoming a member of the GoLife family is also conducive to the Group's plan to extend its POS network in Greater China and speed up business development in mainland China where demand for quality consumer brands is growing.

It is expected that, subject to satisfaction of the various conditions, including approval from shareholders of the Company, the proposed acquisition will be completed in the second quarter of 2008.

Future Plans and Strategies

Upon completion of the acquisition of the Solola brand, the Group will have five prestigious brands in its portfolio and thirty mono-branded POS in its distribution network. The Group aims to become an international premier lifestyle-product company, with emphasis on brand management, product development as well as distribution and marketing.

With China becoming the fastest growing economy in Asia, the Group will continue to focus on building a sizable POS network in mainland China, where there will be abundant opportunities for the Group's luxury lifestyle products.

The Group will continue to seek and identify unique international accessory and apparel brands with character, market potential and longevity to form distribution, product development and equity partnerships.

Corporate Planning and Administration

During the financial year, the management established a Corporate Planning and Administration division for the Group to oversee the finance as well as human resources and administration departments. The respective departments under this division support the Group's business operations, in areas including accounting, company secretarial functions, legal and compliance, human resources and investor relations.

To cope with the expanding operations in different countries, namely China, Taiwan and France, the division plans to commence an overall internal review of the Group's current systems and affairs as well as implement new internal control systems, including setting up corporate governance committees upon completion of such review as appropriate and necessary.

Liquidity and Financial Resources

The Group had cash and bank balances of HK$9,536,000 as at 31 December 2007, out of which HK$5,949,000 was pledged for banking facilities. To achieve a higher return from working capital, the Group also held short-term investments, mainly in equity listed in Hong Kong, totalling 966,000 of which HK$728,000 was secured. Total borrowings as at 31 December 2007 amounted to HK$14,368,000, which included HK$13,563,000 with maturity within one year. Except for borrowings of HK$1,613,000 denominated in pound sterling, all other borrowings were denominated in Hong Kong dollar. The Group's gearing ratio, representing borrowings divided by the total of borrowings and equity, was 55%. The Group's major exposure in foreign currency risk was arising from purchase transactions. Forward contracts were entered into for hedging such transactions during the year.

As at 31 December 2007, the Group had operating lease commitments of HK$28,364,000, purchase commitments of HK$118,468,000, capital commitment for investment in Financière Solola Group of HK$89,086,000 and other capital commitments of HK$7,880,000.

Employees

As at 31 December 2007, the Group had 73 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other benefits include share options granted or to be granted under the share option scheme.

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008

Overview

Turnover of the Group was approximately HK$51,177,000 for the nine months ended 30 September 2008 (the "Period"), representing an increase of 30% compared with the corresponding period last year. Gross profit was HK$27,879,000, representing approximately 54% of turnover. Loss attributable to shareholders after tax was HK$42,464,000. Within the total losses, HK$22,421,000 was attributed by the termination of the acquisition of Financière Solola in April 2008 and certain related financing exercises. Excluding the one-time losses that were attributed from the termination of this acquisition, the Group's net loss attributable to shareholders was HK$20,043,000.

Business performance

Distribution business for two luxury European brands, Anya Hindmarch, and Paule Ka, continued to grow steadily. British accessory brand Anya Hindmarch remained as the Group's main revenue contributor accounting for 63% of the Group's turnover. Turnover from Anya Hindmarch was HK$32,183,000, of which 66% was derived in Hong Kong and the remaining 34% from Taiwan. Turnover from the Paris-based women's wear brand Paule Ka was HK$13,440,000.

Distribution business of the Group's 50% owned designer jewelry brand, Life of Circle, achieved satisfactory results through 3 POS in Hong Kong. During the Period, distribution business for Life of Circle achieved a turnover of HK$5,316,000. The Group believes the Life of Circle brand has enormous long-term potential and it is a matter of time for the brand to reach the critical mass.

Future Plans

During the review period, the global financial crisis has begun to affect consumer spending in the Greater China region. In the interests of shareholders, the Group has immediately implemented measures to cut down costs as well as scale-down its retail operations. The Board also considers it necessary to diversify the Group's income base by entering into industries that are less affected by the expected persistent economic downturn.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所 Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

23 January 2009

The Directors
Golife Concepts Holdings Limited
Unit 1611, 16/F.
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and its subsidiaries (hereinafter collectively referred to as the "Shinhan-Golden Group") set out in Section I, II and III below, for inclusion in the circular of Golife Concepts Holdings Limited dated 23 January 2009 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Shinhan-Golden by the Company. The Financial Information comprises the consolidated balance sheets of the Shinhan-Golden Group and the balance sheets of Shinhan-Golden as at 31 December 2005, 2006 and 2007 and 30 September 2008 and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes.

Shinhan-Golden was incorporated in the British Virgin Islands on 26 April 1996 as a limited company and is engaged in investment holding. Particulars of its subsidiaries are as follows:

Name	Place of incorporation	Issued share capital/ registered capital	Percentage of equity attributable to Shinhan-Golden	Principal activities
北京莎瑪房地產開發有限公司 ("JV Company") (formerly known as "北京建國房地產開發有限公司")	PRC	Registered capital of US$15,000,000	96.67% (direct)	Property investment in the PRC
Beijing Jianguo Real Estate Development Co., Ltd. ("Beijing Jianguo (BVI)")	BVI	Ordinary share of US$1	100% (direct)	Dormant

The Shinhan-Golden Group has adopted 31 December as its financial year end date. No audited financial statements of Shinhan-Golden Group have been prepared since its respective date of incorporation up to the date of this report because there is no statutory requirement to do so.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Shinhan-Golden based on the unaudited consolidated management accounts of the Shinhan-Golden Group, after making adjustments as are appropriate to conform with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Shinhan-Golden are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information 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.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit and to report our opinion to you. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "3.340 Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information 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 of Shinhan-Golden, as well as evaluating the overall presentation of the Financial Information.

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

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Shinhan-Golden and the consolidated state of affairs of the Shinhan-Golden Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 and of the consolidated results and cash flows of the Shinhan-Golden Group for the years and period then ended.

COMPARATIVE FINANCIAL INFORMATION

Respective responsibilities of directors and reporting accountants

The directors of Shinhan-Golden are responsible for the preparation of the unaudited financial information of the Shinhan-Golden Group including the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine months ended 30 September 2007 (the "Comparative Unaudited Financial Information"), together with the notes thereto.

For the purpose of this report, our responsibility is to form an independent conclusion on the Comparative Unaudited Financial Information based on our review and to report our conclusion to you. We conducted our review on the Comparative Unaudited Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Unaudited Financial Information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Comparative Unaudited Financial Information does not give a true and fair view of the consolidated results and cashflows of the Shinhan-Golden Group.

I. FINANCIAL INFORMATION

Consolidated Income Statements

		Year ended 31 December			Nine months ended 30 September	
		2005	**2006**	**2007**	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Turnover	*7*	5,384	4,209	2,917	2,203	17,215
Cost of sales		(273)	(236)	(858)	(348)	(1,594)
Gross profit		5,111	3,973	2,059	1,855	15,621
Other revenue	*8*	496	22	172	97	864
Other income	*8*	21,021	2,946	106,956	106,956	—
Fair value changes on investment properties		49,922	590	43,853	—	(66,751)
Operating expenses		(3,478)	—	—	—	—
Administrative expenses		(5,079)	(5,869)	(11,925)	(11,638)	(17,847)
Profit/(loss) from operations	*9*	67,993	1,662	141,115	97,270	(68,113)
Finance costs	*10*	(21,959)	(19,585)	(19,494)	(13,718)	(18,873)
Profit/(loss) before taxation		46,034	(17,923)	121,621	83,552	(86,986)
Income tax (expense)/credit	*11*	(16,794)	(195)	(13,156)	—	20,026
Profit/(loss) for the years/periods		29,240	(18,118)	108,465	83,552	(66,960)
Attributable to:						
Equity holders of Shinhan-Golden		29,240	(18,118)	108,465	83,552	(66,960)

Consolidated Balance Sheets

		At 31 December			At 30 September
		2005	2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*15*	564	221	4,383	20,406
Investment properties	*16*	636,893	678,000	887,450	905,393
Goodwill	*17*	—	—	—	—
		637,457	678,221	891,833	925,799
Current assets					
Inventories	*19*	43,839	45,154	32,783	34,771
Trade receivables	*20*	11	—	849	219
Deposits, prepayments and other receivables	*21*	570	8,773	17,085	14,777
Cash and bank balances		26,110	5,799	39,135	100,674
		70,530	59,726	89,852	150,441
Total assets		707,987	737,947	981,685	1,076,240
EQUITY					
Share capital	*22*	74,100	74,100	74,100	74,100
Reserves		66,541	50,110	176,429	127,223
		140,641	124,210	250,529	201,323
Minority interest		3,896	3,896	3,896	3,896
Total equity		144,537	128,106	254,425	205,219

		At 31 December			At 30 September
		2005	2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Current liabilities					
Trade payables	*24*	641	—	—	—
Accruals and other payables	*25*	6,376	12,196	9,104	11,518
Receipts in advance	*26*	59,565	60,415	46,556	48,666
Amounts due to related parties	*27*	74,964	123,486	269,080	433,433
Secured bank loans — due within one year	*28*	367,416	5,470	27,533	23,246
		508,962	201,567	352,273	516,863
Non-current liabilities					
Secured bank loans — due after one year	*28*	—	351,957	301,485	297,033
Deferred taxation	*29*	54,488	56,317	73,502	57,125
		54,488	408,274	374,987	354,158
Total liabilities		563,450	609,841	727,260	871,021
Total equity and liabilities		707,987	737,947	981,685	1,076,240
Net current liabilities		(438,432)	(141,841)	(262,421)	(366,422)
Total assets less current liabilities		199,025	536,380	629,412	559,377

Balance Sheets

		At 31 December			At 30 September
		2005	2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current asset					
Interests in subsidiaries	*18*	38,824	38,824	38,824	38,824
Current assets					
Amount due from a subsidiary	*18*	—	3,234	5,162	7,113
Cash and bank balances		184	1	1	1
		184	3,235	5,163	7,114
Total assets		39,008	42,059	43,987	45,938
EQUITY					
Share capital	*22*	74,100	74,100	74,100	74,100
Reserves	*23*	(73,980)	(74,100)	(74,100)	(74,100)
Total equity		120	—	—	—
LIABILITIES					
Current liabilities					
Other payables		—	4	5	5
Amount due to an immediate holding company	*27*	38,888	42,055	43,982	45,933
Total liabilities		38,888	42,059	43,987	45,938
Total equity and liabilities		39,008	42,059	43,987	45,938
Net current liabilities		(38,704)	(38,824)	(38,824)	(38,824)
Total assets less current liabilities		120	—	—	—

Consolidated Statement of Changes in Equity

	Share capital *HK$'000*	Foreign currency translation reserve *HK$'000*	Capital reserve *HK$'000*	Retained earnings *HK$'000*	Sub-total *HK$'000*	Minority interest *HK$'000*	Total *HK$'000*
At 1 January 2005	74,100	(1,357)	—	35,369	108,112	3,900	112,012
Foreign currency translation difference	—	3,289	—	—	3,289	—	3,289
Effect of increase in registered capital of JV Company	—	—	—	—	—	(4)	(4)
Profit for the year	—	—	—	29,240	29,240	—	29,240
At 31 December 2005 and 1 January 2006	74,100	1,932	—	64,609	140,641	3,896	144,537
Foreign currency translation difference	—	1,677	—	—	1,677	—	1,677
Acquisition of a subsidiary	—	—	10	—	10	—	10
Loss for the year	—	—	—	(18,118)	(18,118)	—	(18,118)
At 31 December 2006 and 1 January 2007	74,100	3,609	10	46,491	124,210	3,896	128,106
Foreign currency translation difference	—	17,854	—	—	17,854	—	17,854
Profit for the year	—	—	—	108,465	108,465	—	108,465
At 31 December 2007 and 1 January 2008	74,100	21,463	10	154,956	250,529	3,896	254,425
Foreign currency translation difference	—	17,754	—	—	17,754	—	17,754
Loss for the period	—	—	—	(66,960)	(66,960)	—	(66,960)
At 30 September 2008	74,100	39,217	10	87,996	201,323	3,896	205,219

for the nine months ended 30 September 2007 (unaudited)

	Share capital *HK$'000*	Foreign currency translation reserve *HK$'000*	Capital reserve *HK$'000*	Retained earnings *HK$'000*	Sub-total *HK$'000*	Minority interest *HK$'000*	Total *HK$'000*
At 1 January 2007	74,100	3,609	10	46,491	124,210	3,896	128,106
Foreign currency translation difference	—	14,393	—	—	14,393	—	14,393
Profit for the period	—	—	—	83,552	83,552	—	83,552
At 30 September 2007	74,100	18,002	10	130,043	222,155	3,896	226,051

Consolidated Cash Flow Statements

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
OPERATING ACTIVITIES					
Profit/(loss) before taxation	46,034	(17,923)	121,621	83,552	(86,986)
Adjustments for:					
Interest income	(151)	(13)	(139)	(75)	(831)
Depreciation of property, plant and equipment	199	380	595	443	2,913
Impairment loss recognised in respect of goodwill	26	—	—	—	—
Other payable written back	(2,753)	—	—	—	—
Trade payable written back	(1,428)	—	—	—	—
Fair value changes on investment properties	(49,922)	(590)	(43,853)	—	66,751
Waiver of amount due to holding company	(14,270)	—	—	—	—
Gain on disposal of property, plant and equipment	(9)	—	—	—	—
Finance costs	21,959	19,585	19,494	13,718	18,873
Operating cash flows before movements in working capital	(315)	1,439	97,718	97,638	720
(Increase)/decrease in inventories	—	(1,315)	12,371	(1,693)	(1,988)
Decrease/(increase) in trade receivables	—	11	(849)	(101)	630
(Increase)/decrease in deposits, prepayments and other receivables	(490)	(8,203)	(8,312)	(2,838)	2,308
Decrease in trade payables	(681)	(641)	—	—	—
(Decrease)/increase in accruals and other payables	(2,868)	5,820	(3,092)	(4,624)	2,414
Increase/(decrease) in receipts in advance	—	850	(13,859)	2,202	2,110
Increase in amounts due to related parties	74,432	48,522	145,594	86,489	164,353
Cash generated from operations	70,078	46,483	229,571	177,073	170,547
Interest received	151	13	139	75	831
Net cash generated from operating activities	70,229	46,496	229,710	117,148	171,378
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(207)	(309)	(4,890)	(14,772)	(18,670)
Additions to investment properties	(10,126)	(20,410)	(116,960)	(81,028)	(38,286)
Proceeds from disposal of property, plant and equipment	24	—	—	—	—
Net cash used in investing activities	(10,309)	(20,719)	(121,850)	(95,800)	(56,956)

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
FINANCING ACTIVITIES					
Interest paid	(21,455)	(19,585)	(19,494)	(13,718)	(18,873)
New secured bank loan raised	—	250,470	71,281	61,612	—
Repayment of a secured bank loan	(13,538)	(250,000)	—	—	(28,420)
Net cash (used in)/generated from financing activities	(34,993)	(19,115)	51,787	47,894	(47,293)
Net increase in cash and cash equivalents	24,927	6,662	159,647	69,242	67,129
Cash and cash equivalents at the beginning of the year/period	1,183	26,110	5,799	5,799	39,135
Effect of foreign exchange rate changes	—	(26,973)	(126,311)	(39,341)	(5,590)
Cash and cash equivalents at the end of the year/period	26,110	5,799	39,135	35,700	100,674
Analysis of balances of cash and cash equivalents					
Cash and bank balances	26,110	5,799	39,135	35,700	100,674

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

Shinhan-Golden was incorporated in the British Virgin Islands with limited liability. The address of the registered office of Shinhan-Golden is located at Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

The principal activities of Shinhan-Golden is investment holding and the principal activity of its subsidiares are set out in note 18.

The Financial Information is presented in thousands of units of Hong Kong dollars (HK$'000), which is same as the functional currency of Shinhan-Golden.

2. Basis of preparation

The Financial Information has been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under historical cost convention except for investment properties and financial instruments which are carried at fair value.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Shinhan-Golden Group's accounting policies.

The Shinhan-Golden Group's books and records are maintained in Hong Kong Dollars ("HK$") as the directors of the Shinhan-Golden Group control and monitor the performance and financial position of the Shinhan-Golden Group in HK$.

3. Issued but not yet effective Hong Kong Financial Reporting Standards

The Shinhan-Golden Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs[5]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estates[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[2]

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

The Shinhan-Golden Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Shinhan-Golden Group's results and financial position in the period of initial application.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

(a) Basis of consolidation

The Financial Information include the financial statements of Shinhan-Golden and its subsidiaries made up to 30 September 2008.

The results of subsidiaries acquired or disposed of during the years/periods are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Subsidiaries are consolidated from the date on which control is transferred to the Shinhan-Golden Group and cease to be consolidated from the date on which the Shinhan-Golden Group ceases to have control of the subsidiaries. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Shinhan-Golden Group and when the revenue can be measured reliably, on the following base:

(i) Rental income from operating leases

Operating lease rental income is recognised on a straight-line basis over the periods covered by the lease term.

(ii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(iii) Sundry income

Sundry income is recognised when received.

(c) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that 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. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

i. Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

ii. Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(d) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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

Deferred tax liabilities are recognised for taxable temporary differences arising from investment in subsidiaries except where the Shinhan-Golden 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight-line method, over their estimated useful lives. The principal annual rates are as follows:

Office equipment	20%
Motor vehicles	20%

The gain or loss arising from disposal of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the income statement in the year the asset is derecognised.

(f) Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in the income statements the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognised.

(g) Goodwill

Goodwill arising from an acquisition of a subsidiary represents the excess of the cost of acquisition over the Shinhan-Golden Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising from an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising from an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(h) Interests in subsidiaries

Subsidiaries are all entities over which the Shinhan-Golden Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that currently exercisable or convertible are considered when assessing whether Shinhan-Golden controls another entity.

Interests in subsidiaries are stated in the financial statements of the Shinhan-Golden Group at cost less provision for impairment loss.

(i) Inventories

Inventories on stock of properties, which are held for trading, is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on the prevailing market conditions.

(j) Financial instruments

The Shinhan-Golden Group classifies its investment in securities in the following categories depends on the purpose of such investment were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Shinhan-Golden Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables included trade receivables and deposits and other receivables.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Shinhan-Golden Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(n) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Shinhan-Golden Group. Assets held under finance leases are capitalised at the lower of fair values or the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

(o) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the accounts of Shinhan-Golden Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Hong Kong dollars ("HK$").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Transaction difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Shinhan-Golden Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(p) Employee benefits

(i) Bonuses

The Shinhan-Golden Group recognises a liability for bonuses when there is a contractual obligation and the amount can be estimated reliably.

(ii) Retirement benefit obligations

The Shinhan-Golden Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% to 10% of the employees' relevant income, with the employees' contributions subject to a cap of monthly relevant income of HK$20,000. The Shinhan-Golden Group's contributions to the scheme are expensed as incurred. 5% of relevant income vests immediately upon the completion of service in the relevant service period, while the remaining portion vests in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Shinhan-Golden Group.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(r) Contingent liabilities and contingent assets

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 Shinhan-Golden 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 notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Shinhan-Golden Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(s) Related party transactions

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 influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(t) Financial guarantees issued and provisions

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where Shinhan-Golden Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within creditors and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

Provisions are recognised when Shinhan-Golden Group has a present obligation as a result of a past event, and it is probable that Shinhan-Golden Group will be required to settle that obligations. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(u) Segment reporting

In accordance with Shinhan-Golden Group's internal financial reporting, it has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent certain corporate expenses. Segment assets primary consist of investment properties, properties held for sale and operating cash, and mainly exclude property, plant and equipment. Segment liabilities comprise operating liabilities, deposits received and interest-bearing borrowings, and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Shinhan-Golden Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Shinhan-Golden Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 4(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations. Information about the assumptions and the risk factors on impairment of goodwill are stated in note 4(c).

(b) Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Shinhan-Golden Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(c) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Shinhan-Golden Group estimates the useful lives of fixed assets in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Shinhan-Golden Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(d) Estimate of fair values of investment properties

As described in note 4(f), the investment properties were revalued at the balance sheet date on market value basis by reference to independent professional valuers. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Shinhan-Golden Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions at each balance sheet date.

6. Segment information

No business or geographical analysis of the Shinhan-Golden Group's performance for the years ended 31 December 2005, 2006 and 2007 and nine months ended 30 September 2007 and 2008 as the Shinhan-Golden Group only generated rental income from customers located in the PRC.

7. Turnover

The Shinhan-Golden Group is principally engaged in property investment. Revenue recognised during the Relevant Periods is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Rental income	5,384	4,209	2,917	2,203	17,215

8. Other revenue and other income

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Other revenue:					
Interest income	151	13	139	75	831
Sundry income	345	9	33	22	33
	496	22	172	97	864
Other income:					
Gain on disposal of property, plant and equipment	9	—	—	—	—
Net exchange gains	2,561	2,946	—	—	—
Trade payables written back	1,428	—	—	—	—
Other payables written back	2,753	—	—	—	—
Waiver of amount due to an immediate holding company	14,270	—	—	—	—
Waiver of secured bank loan interest	—	—	106,956	106,956	—
	21,021	2,946	106,956	106,956	—

9. Profit/(loss) from operations

Profit/(loss) from operations is stated at after charging the following:

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Auditors' remuneration	29	74	19	19	51
Depreciation of property, plant and equipment	199	380	595	443	2,913
Impairment loss recognised in respect of goodwill	26	—	—	—	—
Staff costs (including directors' emoluments)	1,307	965	1,825	878	3,133

10. Finance costs

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Interest on bank loan wholly repayable within five years	21,455	19,585	19,494	13,718	18,873
Interest on director's loan	436	—	—	—	—
Interest on loan from a related party	68	—	—	—	—
	21,959	19,585	19,494	13,718	18,873

11. Taxation

The amount of taxation charged/(credited) to consolidated income statements represent:

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Deferred taxation provision for the year/ period arising from revaluation gain/(loss) on investment properties	16,794	195	13,156	—	(20,026)

No profits tax has been provided as the Shinhan-Golden Group has no estimated assessable profit for the years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2007 and 2008.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprises Income Tax by Order No. 63 of the President of the PRC, which will change the tax rate from 33% to 25% for a certain subsidiary effective from 1 January 2008. Deferred tax balance has been adjusted to reflect the tax rates charges that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The taxation for the years/periods can be reconciled to the profit/(loss) before taxation per the consolidated income statements as follows:

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit/(loss) before taxation	46,034	(17,923)	121,621	83,552	(86,986)
Tax rate of 25% in the PRC (31 December 2005, 2006 and 2007 and 30 September 2007: 33%)	15,191	(5,915)	40,135	27,572	(21,747)
Income not subject to tax	(4,746)	(976)	(35,341)	(35,295)	(208)
Expenses not deductible for tax purposes	38	125	196	146	728
Tax losses not recognised	6,311	6,961	8,166	7,577	1,201
Tax charge/(credit) for the years/periods	16,794	195	13,156	—	(20,026)

12. Directors' and senior management emoluments

(a) Directors' emoluments

The aggregate amount of emoluments payable to the directors of Shinhan-Golden for the year ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2007 and 2008 were HK$14,000, HK$Nil, HK$Nil, HK$Nil and HK$Nil respectively.

For the year ended 31 December 2005

	Fees	**Salaries and bonuses**	**Mandatory provident fund**	**Share-based payment expenses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Andrew Nan Sherrill	—	14	—	—	14

For the years ended 31 December 2006 and 2007 and the nine months ended 30 September 2007 (unaudited) and 2008

	Fees	**Salaries and bonuses**	**Mandatory provident fund**	**Share-based payment expenses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Andrew Nan Sherrill *(Note i)*	—	—	—	—	—
Mr. Heung Wah Keung *(Note ii)*	—	—	—	—	—
	—	—	—	—	—

Notes:

(i) Mr. Andrew Nan Sherrill was resigned as a director on 21 June 2006.

(ii) Mr. Heung Wah Keung was appointed as a director on 21 June 2006.

(b) Five highest paid individuals

The emoluments paid to the five highest paid individuals of the Shinhan-Golden Group during the Relevant Periods were as follow:

	Year ended 31 December			**Nine months ended 30 September**	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and Allowances	193	184	510	357	857
Contribution to retirement Benefit scheme	—	—	—	—	—
	193	184	510	357	857

The emoluments were within the following bands:

	Year ended 31 December			**Nine months ended 30 September**	
	2005	**2006**	**2007**	**2007**	**2008**
				(Unaudited)	
Nil to HK$1,000,000	5	5	5	5	5

During the Relevant Periods, no emoluments were paid by the Shinhan-Golden Group to the employees as an inducements to join or upon joining the Shinhan-Golden Group as compensation for loss of office.

13. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. Dividends

The directors of Shinhan-Golden do not recommend a payment of dividend nor transfer of any amount to reserves for the Relevant Periods.

15. Property, plant and equipment

	Office equipment *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
Costs:			
At 1 January 2005	1,377	418	1,795
Additions	207	—	207
Disposals	—	(149)	(149)
Exchange alignment	58	10	68
At 31 December 2005 and 1 January 2006	1,642	279	1,921
Additions	309	—	309
Disposals	(1,334)	(287)	(1,621)
Exchange alignment	50	8	58
At 31 December 2006 and 1 January 2007	667	—	667
Additions	4,890	—	4,890
Disposals	(562)	—	(562)
Exchange alignment	7	—	7
At 31 December 2007 and 1 January 2008	5,002	—	5,002
Additions	17,177	1,493	18,670
Exchange alignment	303	—	303
At 30 September 2008	22,482	1,493	23,975
Accumulated depreciation:			
At 1 January 2005	866	376	1,242
Charge for the year	199	—	199
Written back on disposals	—	(134)	(134)
Exchange alignment	41	9	50
At 31 December 2005 and 1 January 2006	1,106	251	1,357
Charge for the year	380	—	380
Written back on disposals	(1,074)	(258)	(1,332)
Exchange alignment	34	7	41
At 31 December 2006 and 1 January 2007	446	—	446
Charge for the year	595	—	595
Written back on disposals	(423)	—	(423)
Exchange alignment	1	—	1
At 31 December 2007 and 1 January 2008	619	—	619
Charge for the period	2,854	59	2,913
Exchange alignment	37	—	37
At 30 September 2008	3,510	59	3,569
Net book value:			
At 31 December 2005	536	28	564
At 31 December 2006	221	—	221
At 31 December 2007	4,383	—	4,383
At 30 September 2008	18,972	1,434	20,406

16. Investment properties

		At 31 December		At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	554,205	636,893	678,000	887,450
Additions	10,126	20,410	101,347	38,286
Transfer from inventories	—	—	15,613	—
Fair value changes	49,922	590	43,853	(66,751)
Exchange alignment	22,640	20,107	48,637	46,408
At 31 December	636,893	678,000	887,450	905,393

The fair value of the Shinhan-Golden Group's investment properties as at 31 December 2005, 2006 and 2007 have been arrived at on the basis of valuation carried out on that date by DTZ Debenham Tie Leung Limited and the valuation as at 30 September 2008 was carried out by Grant Sherman Appraisal Limited. DTZ Debenham Tie Leung Limited and Grant Sherman Appraisal Limited are independent qualified professional valuers not connected with Shinhan-Golden Group, have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair value of investment properties shown above comprise:

		At 31 December		At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Outside Hong Kong, held on:				
Long-term leases	636,893	678,000	887,450	905,393

All of the Shinhan-Golden Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

Certain investment properties with carrying value approximately HK$636,893,000, HK$678,000,000, HK$852,081,000 and HK$856,170,000 as at 31 December 2005, 2006 and 2007 and 30 September 2008 respectively have been pledged to secure banking facilities granted to the Group (note 28).

17. Goodwill

	At 31 December			At 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At 1 January	—	26	26	26
Acquisition of a subsidiary	26	—	—	—
At 31 December/30 September	26	26	26	26
Accumulated impairment losses:				
At 1 January	—	26	26	26
Impairment loss recognised during the years/periods	26	—	—	—
At 31 December/30 September	26	26	26	26
Carring amounts:				
At 31 December/30 September	—	—	—	—

Goodwill is allocated to the Shinhan-Golden Group's cash generating units ("CGU") identified according to the operation of the subsidiary acquired i.e. Beijing Jianguo (BVI). The recoverable amount of the CGU is determined based on value in use calculation. Since Beijing Jianguo (BVI) has been dormant, the recoverable amount of the goodwill is lower than the carrying amount based on the value-in-use calculation. Accordingly, the directors of Shinhan-Golden Group considered full provision of impairment loss should be made on goodwill during the year ended 31 December 2005.

18. Interests in subsidiaries

	At 31 December			At 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	112,924	112,924	112,924	112,924
Impairment loss recognised	(74,100)	(74,100)	(74,100)	(74,100)
	38,824	38,824	38,824	38,824
Amount due from a subsidiary	99,868	3,234	5,162	7,113
Provision for impairment	(99,868)	—	—	—
	38,824	42,058	43,986	45,937

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the director of Shinhan-Golden, the carrying amounts of the amount due from a subsidiary as at 31 December 2005, 2006 and 2007 and 30 September 2008 approximate to their fair values.

The carrying amounts of the interests in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

Details of the Shinhan-Golden Group's subsidiaries at the Relevant Periods are set out as follows:

Name	Place of Incorporation	Issued share capital/ registered capital	Percentage of equity attributable to Shinhan-Golden	Principal activities
北京莎瑪房地產開發有限公司("JV Company") (formerly known as "北京建國房地產開發有限公司")	PRC	Registered capital of US$15,000,000	96.67%	Property investment in the PRC
Beijing Jianguo Real Estate Development Co., Ltd. ("Beijing Jianguo (BVI)")	BVI	Ordinary share of US$1	100%	Dormant

19. Inventories

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	42,200	43,839	45,154	32,783
Transfer to investment properties	—	—	(15,613)	—
Exchange difference	1,639	1,315	3,242	1,988
At 31 December/30 September	43,839	45,154	32,783	34,771

All inventories were carried at cost during the Relevant Periods.

Inventories solely comprised of certain units of apartments held by Shinhan-Golden Group, of which sales and purchase agreements were entered into and full considerations have been received by the Shinhan-Golden Group in respect of these units of apartments *(note 26)*. However, the transfer of legal title of these unites of apartments have not yet been completed at the end of the Relevant Periods.

20. Trade receivables

Trade receivables comprising rental receivables which are billed in advance and settlements are expected upon receipts of billings for the Relevant Periods.

Aging analysis of trade receivables as at the end of the Relevant Periods are as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 — 30 days	—	—	214	219
31 — 60 days	—	—	429	—
61 — 90 days	—	—	107	—
Over 90 days	11	—	107	—
	11	—	857	219
Less: Provision of bad and doubtful debts	—	—	(8)	—
	11	—	849	219

The following is an aged analysis of the trade receivables net of impairment loss at the balance sheet date:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	—	—	8	—

Trade receivables are generally on 90 days credit terms.

The carrying amounts of trade receivables approximate to their fair values.

Aging of trade receivables which are past due but not impaired:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	—	—	99	—

At 31 December 2005, 2006 and 2007 and 30 September 2008, trade receivables of approximately HK$Nil, HK$Nil, HK$99,000 and HK$Nil were past due but not impaired. The Shinhan-Golden Group is in negotiation with those customers for settlement of these debts. The directors of the Shinhan-Golden are of the opinion that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality on these balances.

Aging of impaired trade receivables:

		At 31 December		At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	—	—	8	—

21. Deposits, prepayments and other receivables

		At 31 December		At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	81	1,594	486	21
Prepayments	457	6,986	16,213	13,826
Other receivables	32	193	386	930
	570	8,773	17,085	14,777

22. Share capital

		At 31 December		At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
10,000,000 ordinary shares of US$1 each	78,000	78,000	78,000	78,000
Issued and fully paid:				
9,500,000 ordinary shares of US$1 each	74,100	74,100	74,100	74,100

23. Reserves

Shinhan-Golden

	Accumulated losses
	HK$'000
At 1 January 2005	(88,356)
Profit for the year	14,376
At 31 December 2005 and 1 January 2006	(73,980)
Loss for the year	(120)
At 31 December 2006, 31 December 2007 and 30 September 2008	(74,100)

24. Trade payables

Aging analysis of Shinhan-Golden Group's trade payables of the Relevant Periods is as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 — 60 days	12	—	—	—
61 — 120 days	—	—	—	—
121 — 180 days	—	—	—	—
Over 180 days	629	—	—	—
	641	—	—	—

25. Accruals and other payables

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	—	637	877	2,589
Other payables	536	5,522	1,747	1,744
Tax payables *(note i)*	5,840	6,037	6,480	7,185
	6,376	12,196	9,104	11,518

Note:

(i) The tax payables represented provision for land appreciation tax on certain units of apartments sold by the Shinhan-Golden Group prior to 2003. According to the PRC tax law and regulation, 30% of land appreciation tax was accrued in the financial statements.

The carrying amounts of accruals and other payables approximate to their fair values.

26. Receipts in advance

Receipts in advance represented the full amount of considerations received from sales of certain units of apartments, details of which are set out in note 19. Since the transfer of legal titles of these units of apartments has not yet been completed at the date of the approval of the financial statements, no revenue could be recognised for the years/period and the total amount was recorded as receipts in advance.

27. Amounts due to related parties

				At
		At 31 December		**30 September**
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to a director	25,230	—	—	—
Amount due to Mr. Nan Pin Ren *(note i)*	6,866	—	—	—
Amount due to a related company *(note ii)*	3,980	—	—	—
Amount due to an immediate holding company	38,888	42,055	43,982	45,933
Amounts due to fellow subsidiaries	—	81,431	225,098	387,500
	74,964	123,486	269,080	433,433

Note:

(i) The amount due to Mr. Nan Pin Ren, a director of JV Company, is unsecured, interest charged at 5.5% per annum and repayable within one year.

(ii) The amount due to a related company, Gui Lin Gui Du Cement Co. Ltd., is unsecured, interest free and has no fixed terms of repayment. Mr. Andrew Nan Sherrill is a common director of both the Shinhan-Golden Group and Gui Lin Gui Du Cement Co. Ltd..

28. Secured bank loans

Shinhan-Golden Group's bank loans were repayable as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans	367,416	357,427	329,018	320,279
The maturity of the above borrowings is as follows:				
Within one year	367,416	5,470	27,533	23,246
Between one and two years		25,000	64,308	34,104
Between two and five years	—	326,957	237,177	262,929
	367,416	357,427	329,018	320,279
Less: Amount due within one year shown under current liabilities	(367,416)	(5,470)	(27,533)	(23,246)
	—	351,957	301,485	297,033

The secured bank loans bear interest at rates ranging from 5.31% to 6.14%, 6.16% to 6.41%, 6.16% to 7.35% and 7.18% to 7.35% per annum for the year ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008 respectively.

All of the Shinhan-Golden Group's secured bank loans are denominated in Renminbi.

The secured bank loans were secured by Shinhan-Golden Group's investment properties in the PRC with fair values of approximately HK$636,893,000, HK$678,000,000, HK$852,081,000 and HK$856,170,000 and bank deposits with balance of approximately HK$Nil, HK$Nil, HK$16,832,000 and HK$28,679,000 as at 31 December 2005, 2006 and 2007 and 30 September 2008 respectively.

The carrying amounts of the secured bank loans approximate to their fair values.

29. Deferred taxation

The movement in deferred tax liabilities during the Relevant Periods is as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	36,284	54,488	56,317	73,502
Exchange alignment	1,410	1,634	4,029	3,649
Charge/(credit) to income statement for the year/period *(note 11)*	16,794	195	13,156	(20,026)
At 31 December/30 September	54,488	56,317	73,502	57,125

30. Acquisition of a subsidiary

The Shinhan Golden Group had no acquisition for the period ended 30 September 2008.

During the year ended 31 December 2005, the Shinhan-Golden Group acquired the 100% interest of the issued share capital of Beijing Jianguo (BVI) for a consideration of US$1.00. The fair value of assets acquired and liabilities assumed as follows:

	HK$'000
Net assets acquired	
Cash and bank balances	2
Amount due to a director	(28)
	(26)
Goodwill	26
	—
Satisfied by	
Cash	—

Analysis of the net outflow in respect of the purchase of a subsidiary:

	HK$'000
Cash consideration	—
Bank balances and cash in hand acquired	2
Net cash inflow in respect of the acquisition of subsidiary	2

No turnover was contributed from the subsidiary acquired during the year ended 31 December 2005 but contributed to the Shinhan-Golden Group a loss of approximately HK$8,000 for the year. There was no significant impact of the Shinhan-Golden Group's cash flows for investing and financing activities and payment of tax.

31. Commitments

(a) Lease commitments

As lessee

The Shinhan-Golden Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of investment properties which fall due as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	—	35	43	—

As lessor

The Shinhan-Golden Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of the Shinhan-Golden Group's investment properties, which fall due as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	5,204	2,700	—	2,788
In the second to fifth year inclusive	2,700	—	—	—
	7,904	2,700	—	2,788

(b) Other commitments

The Shinhan-Golden Group had other commitments contracted but not provided for in the Financial Information:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renovation work in respect of the investment properties	56,821	63,739	28,750	16,711

32. Contingent liabilities

As at 31 December 2005, the Shinhan-Golden Group had the following contingent liabilities:

(a) Di Yi Ao Yuan Real Estate Management (Shanghai) Limited ("Di Yi") filed a statement of claim against the JV Company alleging the JV Company owed Di Yi RMB353,808 (or approximately HK$344,000) in respect of consulting service rendered to the JV Company based on the signed contract;

(b) De Ren Advertising Limited filed a statement of claim against the JV Company for RMB100,000 (or approximately HK$97,000) in respect of a marketing campaign contract;

(c) A writ of summons and statement of claim was made by Beijing Jun Ying Real Estate Management Limited ("Jun Ying") for a claim of RMB243,331 (or approximately HK$236,000) in respect of contracted security services to the JV Company; and

(d) A writ of summons and statement of claim was made by CL3 Architects Limited for a claim of HK$2,500,000 over design contracts for the Property with the JV Company.

As at 31 December 2006, the Shinhan-Golden Group had the following contingent liabilities:

(a) A writ of summons and statement of claim was made by CL3 Architects Limited for a claim of HK$2,500,000 over design contracts for the Property with the JV Company; and

(b) A writ of summons and statement of claim was made by ICBC against the JV Company for a claim of RMB1,197,000 (or approximately HK$1,197,000) over the non-repayment of a mortgage loan granted to an owner (the "Borrower") of an apartment unit in the Property. The Borrower purchased the apartment unit from the JV Company in 2001 and the legal title of the apartment unit has not yet been transferred from the JV Company to the Borrower.

As at 31 December 2007 and 30 September 2008, the Shinhan-Golden Group did not have any material contingent liabilities.

33. Banking facilities

The Shinhan-Golden Group's secured bank loans of approximately HK$367,416,000, HK$357,427,000, HK$329,018,000 and HK$320,279,000 as at 31 December 2005, 2006, 2007 and 30 September 2008 were secured by:

(a) Legal charges over the Shinhan-Golden Group's investment properties with the fair value of approximately HK$636,893,000, HK$678,000,000, HK$852,081,000 and HK$856,170,000 as at 31 December 2005, 2006, 2007 and 30 September 2008;

(b) Legal charges over the Shinhan-Golden Group's bank deposits with balance of approximately HK$Nil, HK$Nil, HK$16,832,000 and HK$28,679,000 as at 31 December 2005, 2006, 2007 and 30 September 2008; and

(c) Corporate guarantee provided by China Star.

34. Litigations

As at the date of this report, save as disclosed below, neither Shinhan-Golden nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the directors of Shinhan-Golden to be pending or threatened against any member of the Shinhan-Golden Group.

1. A writ of summons and statement of claim was made by ICBC against the JV Company for a claim of approximately RMB1,197,000 (or approximately HK$1,197,000) over the non-repayment of a mortgage loan granted to a owner (the "Borrower") of an apartment unit in the Property. The Borrower purchased the apartment unit from the JV Company in 2001 and the legal title of the apartment unit has not yet been transferred from the JV Company to the Borrower. On 25 December 2006, the PRC court made a verdict that the JV Company was liable to pay RMB1,197,000 if the Borrower failed to pay RMB1,197,000 to ICBC. The JV Company has deposited with the PRC Court the relevant judgment sum for satisfying the ruling against it. The PRC Court subsequently sold the apartment concerned by auction. The sale proceeds through the auction has been paid to ICBC for settlement of their judgment directly. The JV Company's PRC legal adviser is preparing the necessary documents to apply to the PRC Court for releasing the early payment deposited with the PRC Court back to the JV Company.

2. As at 30 September 2008, a writ of summons was filed by an owner of an apartment of the Property against the JV Company for property infringement claiming a compensation of RMB600,000 (or approximately HK$682,000). Subsequent to 30 September 2008, the Second Intermediate People Court of Beijing ruled to dismiss the claim.

3. The JV Company sued a buyer of an apartment of the Property named 張松一 (the "Defendant") for damages in the sum of RMB730,000 for breach of the sale and purchase agreement and a supplemental agreement in respect of the apartment which the Defendant contracted to purchase. The JV Company also sought a ruling that the relevant sale and purchase agreement and the supplemental agreement have been discharged and the delivery vacant possession of the relevant apartment back to the JV Company. The PRC Court ruled in the JV Company's favour on 20 December 2007. Subsequently the Defendant appealed to the appellate court in the PRC but the PRC appellate court dismissed the appeal on 16 June 2008. The Defendant had further applied to the PRC Court for a retrial of the case but the application was dismissed by the PRC Court on 21 December 2008.

35. Material related party transactions

Save as disclosed elsewhere in the Financial Information, there was no other material related party transaction incurred during Relevant Periods.

Compensation of any kind paid to the directors and other key management personnel of Shinhan-Golden Group during the Relevant Periods were set out in Note 12(a).

36. Pledge of assets

The Shinhan-Golden Group has pledged its investment properties with fair value of HK$636,893,000, HK$678,000,000, HK$852,081,000 and HK$856,170,000, which are held by JV Company to secure the bank loans amounted to HK$367,416,000, HK$357,427,000, HK$329,018,000 and HK$320,279,000 as at 31 December 2005, 2006 and 2007 and 30 September 2008 respectively.

37. Financial risk management

(a) Financial risk factors

The Shinhan-Golden Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The Shinhan-Golden Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Shinhan-Golden Group's financial performance.

(i) Foreign currency risk

The majority of the Shinhan-Golden Group's monetary assets and monetary liabilities by value and the rental income are denominated in Renminbi ("RMB"). The conversion of RMB into other currencies is subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC. The Shinhan-Golden is exposed to foreign exchange risk in respect of exchange fluctuation of Hong Kong dollars against RMB. The Shinhan-Golden Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Shinhan-Golden Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Credit risk

The Shinhan-Golden Group has no significant concentrations of credit risk. The Shinhan-Golden Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of each of the financial asset, including trade and other receivables, as reported on the balance sheet.

The Shinhan-Golden Group's concentration of credit risk by geographical locations is mainly in the PRC.

(iii) Liquidity risk

The Shinhan-Golden Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

The Shinhan-Golden Group closely monitors its exposure to liquidity risk by reviewing the cash position report monthly. It analyses efficiency of fund management appropriately on the drawdown of bank loans and appoint dedicated personnel to ensure loans are serviced on a timely and accurate basis.

The following tables detail the Shinhan-Golden Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Shinhan-Golden Group can be required to pay. The tables include both interest and principal cash flows.

	At 30 September 2008					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	11,518	—	—	—	—	11,518
Receipts in advance	48,666	—	—	—	—	48,666
Amounts due to related parties	—	—	433,433	—	—	433,433
Secured bank loans	—	510	22,736	297,033	—	320,279
	60,184	510	456,169	297,033	—	813,896

	At 31 December 2007					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	9,104	—	—	—	—	9,104
Receipts in advance	46,556	—	—	—	—	46,556
Amounts due to related parties	—	—	269,080	—	—	269,080
Secured bank loans	738	10,718	16,077	301,485	—	329,018
	56,398	10,718	285,157	301,485	—	653,758

	At 31 December 2006					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	12,196	—	—	—	—	12,196
Receipts in advance	60,415	—	—	—	—	60,415
Amounts due to related parties	—	—	123,486	—	—	123,486
Secured bank loans	—	—	5,470	351,957	—	357,427
	72,611	—	128,956	351,957	—	553,524

	At 31 December 2005					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade payables	641	—	—	—	—	641
Accruals and other payables	6,376	—	—	—	—	6,376
Receipts in advance	59,565	—	—	—	—	59,565
Amounts due to related parties	—	—	74,964	—	—	74,964
Secured bank loans	—	—	367,416	—	—	367,416
	66,582	—	442,380	—	—	508,962

(b) Fair value estimation

The carrying amounts of Shinhan-Golden Group's financial assets, including trade receivables, deposits and other receivables and cash and bank balances, and financial liabilities, including trade payables, accruals and other payables and, receipts in advance and amounts due to related parties, approximate to their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to Shinhan-Golden Group for similar financial instruments.

In assessing the fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by Shinhan-Golden Group are the current bid price.

The fair value of financial instrument that are not traded in an active market is determined by using valuation techniques. Shinhan-Golden Group uses a variety of methods, such as estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying values of the current financial assets and current financial liabilities approximate to their fair values.

(c) Capital risk management

The primary objective of Shinhan-Golden Group's capital management is to safeguard Shinhan-Golden Group's ability to continue as a going concern, maintains a strong credit rating and healthy ratios in order to support its business and enhance shareholder value.

Shinhan-Golden Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Shinhan-Golden Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or raise and repay debts. Shinhan-Golden Group's capital management objectives, policies or processes were unchanged during years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008.

The Shinhan-Golden monitors capital using gearing ratio, which is Shinhan-Golden Group's total borrowings over equity attributable to equity holders of Shinhan-Golden. The gearing ratios as at 31 December 2005, 2006 and 2007 and 30 September 2008 were as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to related parties	74,964	123,486	269,080	433,433
Secured bank loans	367,416	357,427	329,018	320,279
Total borrowings	442,380	480,913	598,098	753,712
Equity attributable to the equity holder of Shinhan-Golden	140,641	124,210	250,529	201,323
Gearing ratio	315%	387%	239%	374%

38. Subsequent events

No significant events took place subsequent to 30 September 2008.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Shinhan-Golden Group, Shinhan-Golden or any of the Companies comprising the Shinhan-Golden Group in respect of any period subsequent to 30 September 2008. No dividend has been declared, made or paid by Shinhan-Golden in respect of any period subsequent to 30 September 2008.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

TRACK RECORD OF THE SHINHAN-GOLDEN GROUP

The table below sets out the consolidated income statements of the Shinhan-Golden Group for each of three years ended 31 December 2007 and the nine months ended 30 September 2007 and 2008.

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	5,384	4,209	2,917	2,203	17,215
Cost of sales	(273)	(236)	(858)	(348)	(1,594)
Gross profit	5,111	3,973	2,059	1,855	15,621
Other revenue	496	22	172	97	864
Other income	21,021	2,946	106,956	106,956	—
Fair value changes on investment properties	49,922	590	43,853	—	(66,751)
Operating expenses	(3,478)	—	—	—	—
Administrative expenses	(5,079)	(5,869)	(11,925)	(11,638)	(17,847)
Profit/(loss) from operations	67,993	1,662	141,115	97,270	(68,113)
Finance costs	(21,959)	(19,585)	(19,494)	(13,718)	(18,873)
Profit/(loss) before taxation	46,034	(17,923)	121,621	83,552	(86,986)
Income tax (expense)/ credit	(16,794)	(195)	(13,156)	—	20,026
Profit/(loss) for the years/periods	29,240	(18,118)	108,465	83,552	(66,960)

Overview

The Shinhan-Golden Group is principally engaged in property investment in the PRC.

During the year ended 31 December 2005, the management of the Shinhan-Golden Group launched various advertising and promotion programs for selling apartment units of the Property to the public. In mid 2005, the plan of selling apartment units was dropped due to the implementation of a series of administrative measures by the PRC Government to dampen property speculation in general. No apartment units and/or carparks were sold during the year ended 31 December 2005. In view of the growing demand for high-end serviced apartments resulting from Beijing's successful bid for the 2008 Olympic Games and the PRC accession to World Trade Organisation, the management had redefined the business strategy for the Shinhan-Golden Group by transforming the Property into high-end serviced apartments for rental purposes.

During the year ended 31 December 2006, the Shinhan-Golden Group was not able to obtain sufficient financing for renovation of the Property. As a result, Riche acquired the entire issued share capital of Shinhan-Golden from its former shareholder on 21 June 2006. Upon the completion of the acquisition, the JV Company has obtained the Hang Seng Loan to finance the renovation. The Shinhan-Golden Group had appointed Mr. Steve Leung, a reputable architecture, to renovate and refurbish the Property.

During the year ended 31 December 2007, the Shinhan-Golden Group concentrated its resources to transform the Property into high-end serviced apartments and has appointed SHAMA as the management company for the Property.

During the nine months ended 30 September 2008, the renovation of the Property has completed and the Property has commenced its operations in late June 2008. As a result, the rental income increased significantly.

Analysis on the results of operations of the Shinhan-Golden Group during the three years ended 31 December 2007 and the nine months ended 30 September 2007 and 2008

Turnover

For the three years ended 31 December 2005, 2006 and 2007, the turnover of the Shinhan-Golden Group amounted to HK$5,384,000, HK$4,209,000 and HK$2,917,000 respectively. During the three years ended 31 December 2005, 2006 and 2007, the turnover represented the rental income generated from certain apartment units of the Property leased to independent third parties on short-term basis and the retail area on the ground floor of the Property leased to a restaurant operator.

The turnover for the nine months ended 30 September 2008 amounted to HK$17,215,000, a 681% increase as compared to HK$2,203,000 in the nine months ended 30 September 2007. The significant increase was attributable to the signing of a number of short-term leases with an aggregate contract value of HK$16,033,000 for the "Olympic Month – August 2008". However, the signing of long-term lease has been adversely affected by the tightening visa policy carried out by the PRC Government before and after the period of Olympic Games resulting in many long-term overseas tenants, who have long-term demand for serviced apartments, had to return to their countries for visa renewals. During the nine months ended 30 September 2008, 7% and 93% of the turnover were generated from long-term leasing and short-term leasing respectively.

Other income

Other income decreased from HK$21,021,000 in the year ended 31 December 2005 to HK$2,946,000 in the year ended 31 December 2006. The decrease was mainly attributed to the recognition of the written back of other payables of HK$2,753,000, the written back of trade payables of HK$1,428,000 and the cash advance of HK$14,270,000 waived by the then holding company in 2005, whereas no such items in 2006.

Other income increased from HK$2,946,000 in the year ended 31 December 2006 to HK$106,956,000 in the year ended 31 December 2007. The increase was attributable to the recognition of the one-off gain of HK$106,956,000 arising from the loan interest waived by China Merchants Bank.

No other income was recorded in the nine months ended 30 September 2008. Other income in the nine months ended 30 September 2007 represented the one-off gain of HK$106,956,000 arising from the loan interest waived by China Merchants Bank.

Operating expenses

Operating expenses for the year ended 31 December 2005 amounted to HK$3,478,000. They mainly represented advertising and promotion expenses, as in early 2005, the Shinhan-Golden Group launched various advertising and promotion programs for selling the apartment units of the Property to the public.

Administrative expenses

Administrative expenses increased from HK$5,869,000 in the year ended 31 December 2006 to HK$11,925,000 in the year ended 31 December 2007. The increase was mainly attributed to the engagements of external consultants for the renovation works of the Property and the payment of pre-operating services fee to SHAMA in 2007.

Administrative expenses for the nine months ended 30 September 2008 amounted to HK$17,847,000, a 53% increase as compared to HK$11,638,000 in the nine months 30 September 2007. The substantial increase was attributable to a HK$2,255,000 increase in staff costs and a HK$2,470,000 increase in depreciation expenses resulted from the commencement of the operation for the Property in June 2008.

Finance costs

Finance costs decrease from HK$21,959,000 in the year ended 31 December 2005 to HK$19,585,000 in the year ended 31 December 2006. The decrease was mainly attributable to the payment of interest expenses for cash advanced from a director and a related party in the year ended 31 December 2005. These cash advances were fully repaid in 2006.

Finance costs for the nine months ended 30 September 2008 amounted to HK$18,873,000, a 38% increase as compared to HK$13,718,000 in the nine months 30 September 2007. The increase was attributable to the increase in the average balances of the Hang Seng Loan in the nine months ended 30 September 2008 resulted from the drawdown of the Hang Seng Loan for the payments of renovation costs for the Property.

Income tax expenses/credit

The income tax expenses for the three years ended 31 December 2005, 2006 and 2007 represented the provision for deferred tax arising from the revaluation gain on the Property.

The income tax credit for the nine months ended 30 September 2008 represented the deferred tax credit arising from the revaluation loss on the Property.

Profit/loss for the years/periods

The performance of the Shinhan-Golden Group deteriorated from a net profit of HK$29,240,000 for the year ended 31 December 2005 to a net loss of HK$18,118,000 for the year ended 31 December 2006. This was mainly attributable to the recognition of the increase in fair value of the Property of HK$49,922,000 in the year ended 31 December 2005, whereas the increase in fair value of the Property only amounted to HK$590,000 in the year ended 31 December 2006.

The performance of the Shinhan-Golden Group turned around from a net loss of HK$18,118,000 for the year ended 31 December 2006 to a net profit of HK$108,465,000 for the year ended 31 December 2007. The turnaround was mainly attributable to the recognition of the increase in fair value of the Property of HK$43,853,000 and the one-off gain of HK$106,956,000 arising from the loan interest waived by China Merchants Bank in 2007.

The Shinhan-Golden Group recorded a net profit of HK$83,552,000 in the nine months ended 30 September 2007, whereas a net loss of HK$66,960,000 was recorded in the nine months ended 30 September 2008. The deterioration was mainly attributable to the recognition of the one-off gain of HK$106,956,000 arising from the loan interest waived by China Merchants Bank in 2007. The performance of the Shinhan-Golden Group was further deteriorated by the decrease in fair value of the Property of HK$66,751,000 and the increase in administrative as explained above.

Analysis on the financial position of the Shinhan-Golden Group during the three years ended 31 December 2007 and the nine months ended 30 September 2008

Liquidity and financial resources

During the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008, the Shinhan-Golden Group funded its operation from cash generated from its operations, bank borrowings and cash advanced from a director, the related parties, an immediate holding company and the fellow subsidiaries.

As at 31 December 2005, the cash and bank balances of the Shinhan-Golden Group amounted to HK$26,110,000 and the total borrowings of the Shinhan-Golden Group amounted to HK$442,380,000, comprising the secured bank loan of HK$367,416,000 granted by China Merchants Bank which was secured by the Property, interest bearing at 5.31% to 6.14% per annum and maturing on 1 August 2006; an advance from a director of HK$25,230,000 which were unsecured, interest bearing at 5.5% to 5.58% per annum and repayable within one year; an advance from a director of the JV Company of HK$6,866,000 which was unsecured, interest bearing at 5.5% per annum and repayable within one year; an advance from a related company of HK$3,980,000 which was unsecured, interest-free and had no fixed terms of repayment; and an advance from an immediate holding company of HK$38,888,000 which was unsecured, interest-free and had no fixed terms of repayment. The Shinhan-Golden Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to Shinhan-Golden's equity holders was 315%.

As at 31 December 2006, the cash and bank balances of the Shinhan-Golden Group amounted to HK$5,799,000 and the total borrowings of the Shinhan-Golden Group amounted to HK$480,913,000, comprising the Hang Seng Loan of HK$250,470,000 which was secured by the Property and a corporate guarantee given by the Company, interest bearing at 95% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within five years; and the interest portion of the secured bank loan granted by China Merchants Bank of HK$106,957,000; an advance from an immediate holding company of HK$42,055,000 which was unsecured, interest-free and had no fixed terms of repayment; and the advances from the fellow subsidiaries of HK$81,431,000 which were unsecured, interest-free and had no fixed terms of repayment. The Shinhan-Golden Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to Shinhan-Golden's equity holders was 387%.

As at 31 December 2007, the cash and bank balances of the Shinhan-Golden Group amounted to HK$39,135,000, of which HK$16,832,000 was pledged for securing the Hang Seng Loan, and the total borrowings of the Shinhan-Golden Group amounted to HK$598,098,000, comprising the Hang Seng Loan of HK$329,018,000 which was secured by the Property, a corporate guarantee given by the Company and the banks deposits of HK$16,832,000, interest bearing at 95% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within four years; an advance from an immediate holding company of HK$43,982,000 which was unsecured, interest-free and had no fixed terms of repayment; and the advances from the fellow subsidiaries of HK$225,098,000 which were unsecured, interest-free and had no fixed terms of repayment. The Shinhan-Golden Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to Shinhan-Golden's equity holders was 239%.

As at 30 September 2008, the cash and bank balances of the Shinhan-Golden Group amounted to HK$100,674,000, of which HK$28,679,000 was pledged for securing the Hang Seng Loan, and the total borrowings of the Shinhan-Golden Group amounted to HK$753,712,000, comprising the Hang Seng Loan of HK$320,279,000 which was secured by the Property, a corporate guarantee given by the Company and the bank deposits of HK$28,679,000, interest bearing at 110% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within three years; an advance from an immediate holding company of HK$45,933,000 which was unsecured, interest-free and had no fixed terms of repayment; and the advances from the fellow subsidiaries of HK$387,500,000 which were unsecured, interest-free and had no fixed terms of repayment. The Shinhan-Golden Group' s gearing ratio calculated as a percentage of total borrowings over equity attributable to Shinhan-Golden's equity holders was 374%.

Charges on assets

As at 31 December 2005, the Property was pledged to China Merchants Bank to secure the secured bank loan.

As at 31 December 2006, the Property was pledged to Hang Seng Bank Limited, Fuzhou Branch to secure the Hang Seng Loan.

As at 31 December 2007, certain of the Property with a fair value of HK$852,081,000 and the bank deposits of HK$16,832,000 were pledged to Hang Seng Bank Limited, Fuzhou Branch to secure the Hang Seng Loan.

As at 30 September 2008, certain of the Property with a fair value of HK$856,170,000 and the bank deposits of HK$28,679,000 were pledged to Hang Seng Bank Limited, Fuzhou Branch to secure the Hang Seng Loan.

Net current liabilities

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the net current liabilities of the Shinhan-Golden Group were HK$438,432,000, HK$141,841,000, HK$262,421,000 and HK$366,422,000 respectively.

The current ratios of the Shinhan-Golden Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 were 0.14, 0.30, 0.26 and 0.29 respectively.

Acquisition of a subsidiary

In September 2005, Shinhan-Golden acquired the entire issued share capital of Beijing Jianguo (BVI) at a consideration of USD1.

Contingent liabilities

As at 31 December 2005, the Shinhan-Golden Group had the following contingent liabilities:

(a) Di Yi Ao Yuan Real Estate Management (Shanghai) Limited ("Di Yi") filed a statement of claim against the JV Company alleging the JV Company owed Di Yi RMB353,808 (or approximately HK$344,000) in respect of consulting service rendered to the JV Company based on the signed contract;

(b) De Ren Advertising Limited filed a statement of claim against the JV Company for RMB100,000 (or approximately HK$97,000) in respect of a marketing campaign contract;

(c) a writ of summons and statement of claim was made by Beijing Jun Ying Real Estate Management Limited ("Jun Ying") for a claim of RMB243,331 (or approximately HK$236,000) in respect of contracted security service to the JV Company; and

(d) a writ of summons and statement of claim was made by CL3 Architects Limited for a claim of HK$2,500,000 over design contracts for the Property with the JV Company.

As at 31 December 2006, the Shinhan-Golden Group had the following contingent liabilities:

(a) a writ of summons and statement of claim was made by CL3 Architects Limited for a claim of HK$2,500,000 over design contracts for the Property with the JV Company; and

(b) a writ of summons and statement of claim was made by ICBC against the JV Company for a claim of RMB1,197,000 (or approximately HK$1,197,000) over the non-repayment of a mortgage loan granted to an owner (the "Borrower") of an apartment unit in the Property. The Borrower purchased the apartment unit from the JV Company in 2001 and the legal title of the apartment unit has not yet been transferred from the JV Company to the Borrower.

As at 31 December 2007, the Shinhan-Golden Group did not have any material contingent liabilities.

As at 30 September 2008, a writ of summons was filed by an owner of an apartment unit of the Property against the JV Company for property infringement claiming a compensation of RMB600,000 (or approximately HK$682,000). Subsequent to 30 September 2008, The Second Intermediate People Court of Beijing ruled to dismiss the claim.

Capital structure

There was no change in the equity capital structure of Shinhan-Golden, the JV Company or Beijing Jianguo (BVI) for the three years ended 31 December 2007 and the nine months ended 30 September 2008.

Exchange risk and hedging

As the majority of the Shinhan-Golden Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, the exchange risk of the Shinhan-Golden Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes were used by the Shinhan-Golden Group for the three years ended 31 December 2007 and the nine months ended 30 September 2008.

Staff, remuneration policies and retirement benefits

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the Shinhan-Golden Group had 44, 34, 48 and 94 staff respectively. The Shinhan-Golden Group recognised the importance of maintain remunerations at competitive levels and in line with industry practice. According to the relevant PRC rules and regulations, the staff of the Shinhan-Golden Group is required to participate in employee retirement and insurance schemes for its eligible staff.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

23 January 2009

The Directors
Golife Concepts Holdings Limited
Unit 1611, 16/F.
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of World East Investments Limited ("World East") and its subsidiary (hereinafter collectively referred to as the "World East Group") set out in Section I, II and III below, for inclusion in the circular of Golife Concepts Holdings Limited dated 23 January 2009 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of World East by the Company. The Financial Information comprises the consolidated balances sheets of the World East Group and the balance sheets of World East as at 31 December 2005, 2006 and 2007 and 30 September 2008 and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes.

World East was incorporated in the British Virgin Islands on 3 January 2003 as a limited company and its principal activity is in investment holding. Particulars of its subsidiary are as follows:

Name	Place of incorporation	Issued share capital/ registered capital	Percentage of equity attributable to World East	Principal activities
上海昇平文化發展有限公司 ("CJV Partner")	PRC	500,000 ordinary shares of RMB 1	100% (direct)	Distribution of films in the PRC

The World East Group has adopted 31 December as its financial year end date. No audited financial statements of World East Group have been prepared since its date of incorporation to up to the date of this report because there is no statutory audit requirement to do so.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of World East based on the unaudited consolidated management accounts of World East Group after making adjustments as are appropriate, to conform Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of World East are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information 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.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit and to report our opinion to you. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information 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 of World East, as well as evaluating the overall presentation of the Financial Information.

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

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of World East and the consolidated state of affairs of the World East Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 and of the consolidated results and cash flows of the World East Group for the years and period then ended.

COMPARATIVE FINANCIAL INFORMATION

Respective responsibilities of directors and reporting accountants

The directors of World East are responsible for the preparation of the unaudited financial information of the World East Group including the consolidated income statement, the consolidated statement of change in equity and the consolidated cash flow statement for the nine months ended 30 September 2007 (the "Comparative Unaudited Financial Information"), together with the notes thereto.

For the purpose of this report, our responsibility is to form an independent conclusion on the Comparative Unaudited Financial Information based on our review and to report our conclusion to you. We conducted our review on the Comparative Unaudited Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Unaudited Financial Information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Comparative Unaudited Financial Information does not give a true and fair view of the consolidated results and cashflows of the World East Group.

I. FINANCIAL INFORMATION

Consolidated Income Statements

		Year ended 31 December			Nine months ended 30 September	
		2005	**2006**	**2007**	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Turnover	*7*	10,440	—	—	—	—
Cost of sales		(11,968)	—	—	—	—
Gross loss		(1,528)	—	—	—	—
Other revenue	*8*	—	8	111	2	114
Impairment loss of available-for-sale investments	*15*	—	—	—	—	(927)
Administrative expenses		(10,451)	(330)	(305)	(219)	(297)
Loss from operations	*9*	(11,979)	(322)	(194)	(217)	(1,110)
Finance costs		—	—	—	—	—
Loss before tax		(11,979)	(322)	(194)	(217)	(1,110)
Taxation	*10*	—	—	—	—	—
Loss for the years/periods		(11,979)	(322)	(194)	(217)	(1,110)
Attributable to:						
Equity holders of World East		(11,979)	(322)	(194)	(217)	(1,110)

Consolidated Balance Sheets

		At 31 December			At 30 September
		2005	**2006**	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*14*	5	4	10	9
Available-for-sale investments	*15*	—	—	—	3,896
		5	4	10	3,905
Current assets					
Trade receivables	*17*	1,485	543	—	—
Deposits and other receivables	*18*	690	7,135	11,386	6,631
Amounts due from fellow subsidiaries	*19*	—	81,431	225,098	387,500
		2,175	89,109	236,484	394,131
Total assets		2,180	89,113	236,494	398,036
EQUITY					
Share capital	*20*	1	1	1	1
Reserves		(10,706)	(9,926)	1,561	19,948
Total equity		(10,705)	(9,925)	1,562	19,949
LIABILITIES					
Current liabilities					
Accruals and other payables	*22*	734	460	644	1,535
Amounts due to related parties	*23*	12,151	98,578	234,288	376,552
		12,885	99,038	234,932	378,087
Total equity and liabilities		2,180	89,113	236,494	398,036
Net current (liabilities)/assets		(10,710)	(9,929)	1,552	16,044
Total assets less current liabilities		(10,705)	(9,925)	1,562	19,949

Balance Sheet

		At 31 December			At 30 September
		2005	2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current asset					
Interest in a subsidiary	*16*	469	469	469	469
Current asset					
Amount due from a subsidiary	*16*	47	47	47	47
Total assets		516	516	516	516
EQUITY					
Share capital	*20*	1	1	1	1
Reserves	*21*	(294)	(294)	(299)	(299)
Total equity		(293)	(293)	(298)	(298)
LIABILITIES					
Current liabilities					
Accruals		43	64	69	69
Amounts due to related parties	*23*	766	745	745	745
		809	809	814	814
Total equity and liabilities		516	516	516	516
Net current liabilities		(762)	(762)	(767)	(767)
Total assets less current liabilities		(293)	(293)	(298)	(298)

Consolidated Statement of Changes in Equity

	Share capital	Foreign currency translation reserve	(Accumulated loss)/ retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	1	—	1,273	1,274
Loss for the year	—	—	(11,979)	(11,979)
At 31 December 2005 and 1 January 2006	1	—	(10,706)	(10,705)
Foreign currency translation difference	—	1,102	—	1,102
Loss for the year	—	—	(322)	(322)
At 31 December 2006 and 1 January 2007	1	1,102	(11,028)	(9,925)
Foreign currency translation difference	—	11,681	—	11,681
Loss for the year	—	—	(194)	(194)
At 31 December 2007 and 1 January 2008	1	12,783	(11,222)	1,562
Foreign currency translation difference	—	19,497	—	19,497
Loss for the period	—	—	(1,110)	(1,110)
At 30 September 2008	1	32,280	(12,332)	19,949

for the nine months ended 30 September 2007 (unaudited)

	Share capital	Foreign currency translation reserve	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	1	1,102	(11,028)	(9,925)
Foreign currency translation difference	—	1,471	—	1,471
Loss for the period	—	—	(217)	(217)
At 30 September 2007	1	2,573	(11,245)	(8,671)

Consolidated Cash Flow Statements

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Loss before tax	(11,979)	(322)	(194)	(217)	(1,110)
Adjustments for:					
Depreciation of property, plant and equipment	1	1	1	—	1
Impairment loss of avaliable-for-sale investments	—	—	—	—	927
Impairment loss recognised in respect of trade receivables	1,084	23	—	—	—
Interest income	—	(8)	(15)	(2)	(114)
Operating cash flows before movements in working capital	(10,894)	(306)	(208)	(219)	(296)
Decrease in trade receivables	1,440	919	543	143	—
Decrease/(increase) in deposits and other receivables	3,114	(6,445)	(4,251)	3,425	4,755
Increase in amounts due from fellow subsidiaries	—	(81,431)	(143,667)	(84,927)	(162,402)
Increase/(decrease) in accruals and other payables	409	(274)	184	205	891
Increase in amounts due to related parties	5,931	86,427	135,710	79,900	142,264
Cash used in operations	—	(1,110)	(11,689)	(1,473)	(14,788)
Interest received	—	8	15	2	114
Net cash used in operating activities	—	(1,102)	(11,674)	(1,471)	(14,674)

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	—	—	(7)	—	—
Purchase of available-for-sale investments	—	—	—	—	(4,823)
Net cash used in investing activities	—	—	(7)	—	(4,823)
Net decrease in cash and cash equivalents	—	(1,102)	(11,681)	(1,471)	(19,497)
Cash and cash equivalents at the beginning of the year/period	—	—	—	—	—
Effect of foreign exchange rate changes	—	1,102	11,681	1,471	19,497
Cash and cash equivalents at the end of the year/period	—	—	—	—	—
Analysis of balances of cash and cash equivalents					
Cash and bank balances	—	—	—	—	—

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

World East was incorporated in the British Virgin Islands with limited liability. The address of the registered office of the Company is located at P.O. Box 3175, Road Town, Tortola, British Virgin Islands.

The principal activities of World East is investment holding and the principal activity of its subsidiaries are set out in note 16 to the Financial Information.

The Financial Information is presented in thousands of units of Hong Kong dollars (HK$'000), which is same as the functional currency of World East.

2. Basis of preparation

The Financial Information has been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under historical cost convention except for investment properties and financial instruments which are carried at fair value.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the World East Group's accounting policies.

The World East Group's books and records are maintained in Hong Kong Dollars ("HK$") as the directors of the World East Group control and monitor the performance and financial position of the World East Group in HK$.

3. Issued but not yet effective Hong Kong Financial Reporting Standards

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

HKFRSs (Amendments)	Improvements to HKFRSs[5]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estates[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[2]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 July 2008.
4 Effective for annual periods beginning on or after 1 October 2008.
5 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual period beginning on or after 1 July 2009.

The World East Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the World East Group's results and financial position in the period of initial application.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

(a) Basis of consolidation

The Financial Information include the financial statements of World East and its subsidiary made up to 30 September 2008.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Subsidiary is consolidated from the date on which control is transferred to the World East Group and cease to be consolidated from the date on which the World East Group ceases to have control of the subsidiary. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the World East Group and when the revenue can be measured reliably, on the following base:

(i) Theatrical income

Revenue from the distribution of film is recognised when the video products or master materials of film are delivered to customers and the title has passed.

(ii) Sub-licensing income

Revenue from sub-licensing of film rights is recognised upon delivery of master materials of films to customers.

(iii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(iv) Sundry income

Sundry income is recognised when received.

(c) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that 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. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

i. Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

ii. Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(d) ***Taxation***

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

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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

Deferred tax liabilities are recognised for taxable temporary differences arising from investment in subsidiaries except where the World East 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(e) ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight-line method, over their estimated useful lives. The principal annual rates are as follows:

Office equipment	20%

The gain or loss arising from disposal of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the income statement in the year the asset is derecognised.

(f) Interest in a subsidiary

A subsidiary is the entity over which the World East Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that currently exercisable or convertible are considered when assessing whether the World East Group controls another entity.

Interest in a subsidiary is stated in the financial statements of the World East Gruop at cost less provision for impairment loss.

(g) Financial instruments

The World East Group classifies its investment in securities in the following categories depends on the purpose of such investment were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the World East Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables included loan receivables, convertible notes receivables and trade receivables.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the World East Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the accounts of World East Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Hong Kong dollars ("HK$").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Transaction difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the World East Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(k) Employee benefits

(i) Bonuses

The World East Group recognises a liability for bonuses when there is a contractual obligation and the amount can be estimated reliably.

(ii) Retirement benefit obligations

The World East Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% to 10% of the employees' relevant income, with the employees' contributions subject to a cap of monthly relevant income of HK$20,000. The World East Group's contributions to the scheme are expensed as incurred. 5% of relevant income vests immediately upon the completion of service in the relevant service period, while the remaining portion vests in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the World East Group.

(l) Contingent liabilities and contingent assets

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 World East 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 notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the World East Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(m) Related party transactions

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 influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(n) Financial guarantees issued and provisions

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the World East Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within creditors and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the World East Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

Provisions are recognised when the World East Group has a present obligation as a result of a past event, and it is probable that the World East Group will be required to settle that obligations. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The World East Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the World East Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(b) Useful lives of property, plant and equipment

In accordance with HKAS 16, the World East Group estimates the useful lives of fixed assets in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The World East Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

6. Segment information

No business or geographical analysis of the World East Group's performance for the years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2007 and 2008 as the World East Group only generated theatrical and sub licensing income in the PRC.

7. Turnover

The World East Group is principally engaged in distribution of films and sub-licensing of film rights in the PRC through a PRC agent. Revenue recognised during the years/periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Theatrical income	6,684	—	—	—	—
Sub licensing income	3,756	—	—	—	—
	10,440	—	—	—	—

8. Other revenue

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Interest income	—	8	15	2	114
Sundry income	—	—	96	—	—
	—	8	111	2	114

9. Loss from operations

Loss from operations is stated at after charging the following:

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Auditors' remuneration	43	6	—	—	—
Depreciation of property, plant and equipment	1	1	1	—	1
Staff cost (including Directors' emoluments)	92	179	159	120	113

10. Taxation

No profits tax has been provided as the World East Group has no estimated assessable profit for the years ended 31 December 2005, 2006 and 2007 and for the nine months ended 30 September 2007 and 2008.

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits of certain subsidiaries in Hong Kong for the Relevant Periods. Taxation arising in on other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. Accordingly, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the nine months ended 30 September 2008.

The taxation for the years/periods can be reconciled to the loss before taxation per the consolidated income statements as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Loss before tax	(11,979)	(322)	(194)	(217)	(1,110)
Taxation at income tax rate of 16.5% (31 December 2005, 2006 and 2007 and 30 September 2007: 17.5%)	(2,096)	(56)	(34)	(38)	(183)
Tax effect of income that is not taxable in determining taxable profit	(1,827)	(1)	(19)	—	(19)
Tax effect of expenses that are not deductible in determining taxable profit	3,901	57	52	37	202
Tax losses not yet recognised	22	—	1	1	—
Tax charge for the years/periods	—	—	—	—	—

11. Directors' and senior management emoluments

(a) Directors' emoluments

No emoluments were paid to the directors of World East for the Relevant Periods.

For the year ended 31 December 2005, 2006 and 2007 and nine months ended 30 September 2007 and 2008

	Fees	Salaries and bonuses	Mandatory provident fund	Share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Heung Wah Keung	—	—	—	—	—
Ms. Chen Ming Yen, Tiffany	—	—	—	—	—
Mr. Lei Hong Wai *(note i)*	—	—	—	—	—
	—	—	—	—	—

Note:

(i) Mr. Lei Hong Wai was resigned on 13 October 2005.

(b) Five highest paid individuals

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the World East Group had 5, 5, 3 and 3 staff respectively. The emoluments paid to the five highest paid individuals of the World East Group during the Relevant Periods were as follow:

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Salaries and Allowances	92	179	159	120	113
Contribution to retirement Benefit scheme	—	—	—	—	—
	92	179	159	120	113

The emoluments were within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007 *(Unaudited)*	2008
Nil to HK$1,000,000	5	5	3	3	3

During the Relevant Periods, no emoluments were paid by the World East Group to any of the employees as inducements to join or upon joining the World East Group as compensation for loss of office.

12. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. Dividend

The directors of World East do not recommend a payment of dividend nor transfer of any amount to reserves for the Relevant Periods.

14. Property, plant and equipment

	Furniture and fixtures
	HK$'000
Costs:	
At 1 January 2005, 31 December 2005, 31 December 2006 and 1 January 2007	6
Additions	7
At 31 December 2007, 1 January 2008 and 30 September 2008	13
Accumulated depreciation:	
At 1 January 2005	—
Charge for the year	1
At 31 December 2005 and 1 January 2006	1
Charge for the year	1
At 31 December 2006 and 1 January 2007	2
Charge for the year	1
At 31 December 2007 and 1 January 2008	3
Charge for the period	1
At 30 September 2008	4
Net book value:	
At 31 December 2005	5
At 31 December 2006	4
At 31 December 2007	10
At 30 September 2008	9

15. Available-for-sale investments

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	—	—	—	4,823
Less: Provision for impairment	—	—	—	(927)
	—	—	—	3,896

At the balance sheet dates, all available-for-sale investments were stated at cost.

The unlisted share of which fair value cannot be determined are measured at cost less impairment at each balance sheet dates because the range of reasonable fair value estimates is so significant that the directors of World East are of the opinion that their fair values cannot be measured reliably.

16. Interest in a subsidiary

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	469	469	469	469
Impairment loss recognised	—	—	—	—
	469	469	469	469
Amount due from a subsidiary	47	47	47	47
Provision for impairment loss	—	—	—	—
	516	516	516	516

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors of the World East Group, the carrying amount of the amount due from a subsidiary as at 31 December 2005, 2006, 2007 and at 30 September 2008 approximate to its fair values.

The carrying amount of the interest in a subsidiary is reduced to its recoverable amount which is determined by reference to the estimation of future cash flows expected to be generated from the subsidiary.

Details of the World East Group's subsidiaries at the Relevant Periods are set out as follows:

Name	Place of incorporation	Issued share capital/ registered capital	Percentage of equity attributable to World East	Principal activities
上海昇平文化發展有限公司 ("CJV Partner")	PRC	500,000 ordinary shares of RMB1	100% (direct)	Distribution of films in PRC

17. Trade receivables

Aging analysis of trade receivables as at the end of each year/period are as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	2,569	566	23	23
Less: Provisions of bad and doubtful debts	(1,084)	(23)	(23)	(23)
	1,485	543	—	—

Trade receivables are generally on 90 days credit terms.

The carrying amounts of trade receivables approximate to their fair values.

Aging of trade receivables which are past due but not impaired:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	1,485	543	—	—

At 31 December 2005, 2006 and 2007 and 30 September 2008, trade receivables of approximately HK$1,485,000, HK$543,000, HK$Nil and HK$ Nil were past due but not impaired. The World East Group is in negotiation with those customers for settlement of these debts. The directors of the World East are of the opinion that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality on these balances.

Aging of impaired trade receivables:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	1,084	23	23	23

18. Deposits and other receivables

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	19	18	17	18
Other receivables	671	7,117	11,369	6,613
	690	7,135	11,386	6,631

19. Amounts due from fellow subsidiaries

The amounts due from fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

20. Share capital

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
50,000 ordinary shares of US$1 each	390	390	390	390
Issued and fully paid:				
1 ordinary share of US$1 each	1	1	1	1

21. Reserves

World East	**Accumulated losses**
	HK$'000
At 1 January 2005	(165)
Net loss for the year	(129)
At 31 December 2005 and 1 January 2006	(294)
Net loss for the year	—
At 31 December 2006 and 1 January 2007	(294)
Net loss for the year	(5)
At 31 December 2007 and 1 January 2008	(299)
Net loss for the period	—
At 30 September 2008	(299)

22. Accruals and other payables

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	727	184	638	1,529
Receipt in advance	5	5	6	6
Other payables	2	271	—	—
	734	460	644	1,535

23. Amounts due to related parties

	World East Group			
	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to an immediate holding company	—	98,578	234,288	376,552
Amounts due to fellow subsidiaries	12,151	—	—	—
	12,151	98,578	234,288	376,552

	World East			
	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to an immediate holding company	—	745	745	745
Amounts due to fellow subsidiaries	766	—	—	—
	766	745	745	745

The amounts to related parties due are unsecured, interest free and repayable on demand.

24. Contingent liabilities

The World East Group did not have any significant contingent liabilities as at the respective balance sheet dates.

25. Litigation

As at the date of the report, save as disclosed below, neither World East nor any of its subsidiary was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the directors to be pending or threatened against any member of the World East Group.

26. Material related party transactions

Save as disclosed elsewhere in the Financial Information, there was no other material related party transactions incurred during the Relevant Periods.

Compensation of any kind paid to the directors and other key management personnel of World East during the Relevant Periods were set out in note 11(a).

27. Financial risk management

(a) Financial risk factors

The World East Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The World East Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the World East Group's financial performance.

(i) Foreign currency risk

The majority of the World East Group's monetary assets and monetary liabilities by value and the rental income are denominated in Renminbi ("RMB"). The conversion of RMB into other currencies is subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC. World East is exposed to foreign exchange risk in respect of exchange fluctuation of Hong Kong dollars against RMB. The World East Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The World East Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Credit risk

The World East Group has no significant concentrations of credit risk. The World East Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of each of the financial asset, including trade and other receivables, as reported on the balance sheet.

The World East Group's concentration of credit risk by geographical locations is mainly in the PRC.

(iii) Liquidity risk

The World East Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

The World East Group closely monitors its exposure to liquidity risk by reviewing the cash position report monthly. It analyses efficiency of fund management appropriately on the drawdown of bank loans and appoint dedicated personnel to ensure loans are serviced on a timely and accurate basis.

The following tables detail the World East Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the World East Group can be required to pay. The tables include both interest and principal cash flows.

	At 30 September 2008					
	Less than 1 month	**Between 1 to 3 months**	**Between 3 months to 1 year**	**Between 1 year to 5 years**	**More than 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	—	1,535	—	—	—	1,535
Amounts due to related parties	—	—	376,552	—	—	376,552
	—	1,535	376,552	—	—	378,087

	At 31 December 2007					
	Less than 1 month	**Between 1 to 3 months**	**Between 3 months to 1 year**	**Between 1 year to 5 years**	**More than 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	—	644	—	—	—	644
Amounts due to related parties	—	—	234,288	—	—	234,288
	—	644	234,288	—	—	234,932

	At 31 December 2006					
	Less than 1 month	**Between 1 to 3 months**	**Between 3 months to 1 year**	**Between 1 year to 5 years**	**More than 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	—	460	—	—	—	460
Amounts due to related parties	—	—	98,578	—	—	98,578
	—	460	98,578	—	—	99,038

	At 31 December 2005					
	Less than 1 month	**Between 1 to 3 months**	**Between 3 months to 1 year**	**Between 1 year to 5 years**	**More than 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	—	734	—	—	—	734
Amounts due to related parties	—	—	12,151	—	—	12,151
	—	734	12,151	—	—	12,885

(b) ***Fair value estimation***

The carrying amounts of the World East Group's financial assets, including trade receivables, deposits and other receivables and cash and bank balances, and financial liabilities, including accruals and other payables and amounts due to related parties, approximate to their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the World East Group for similar financial instruments.

In assessing the fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the World East Group are the current bid price.

The fair value of financial instrument that are not traded in an active market is determined by using valuation techniques. The World East Group uses a variety of methods, such as estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying values of the current financial assets and current financial liabilities approximate to their fair values.

(c) ***Capital risk management***

The primary objective of the World East Group's capital management is to safeguard the World East Group's ability to continue as a going concern, maintains a strong credit rating and healthy ratios in order to support its business and enhance shareholder value.

The World East Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the World East Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or raise and repay debts. The World East Group's capital management objectives, policies or processes were unchanged during year ended 31 December 2005, 2006 and 2007 and for the nine months ended 30 September 2008.

World East monitors capital using gearing ratio, which is the World East Group's total borrowings over equity attributable to equity holders of World East. The gearing ratios as at 31 December 2005, 2006 and 2007 and 30 September 2008 were as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total borrowing	12,151	98,578	234,288	376,552
Equity attributable to equity holders of World East	(10,705)	(9,925)	1,562	19,949
Gearing ratio	N/A	N/A	14,999%	1,888%

Note:

(i) Borrowing includes amounts due to related parties.

28. Subsequent events

No significant events took place subsequent to 30 September 2008.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for World East in respect of any period subsequent to 30 September 2008. No dividend has been declared, made or paid by World East in respect of any period subsequent to 30 September 2008.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

TRACK RECORD OF THE WORLD EAST GROUP

The table below sets out the consolidated income statements of the World East Group for each of three years ended 31 December 2007 and the nine months ended 30 September 2007 and 2008.

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	10,440	—	—	—	—
Cost of sales	(11,968)	—	—	—	—
Gross loss	(1,528)	—	—	—	—
Other revenue	—	8	111	2	114
Impairment loss of available-for-sale investments	—	—	—	—	(927)
Administrative expenses	(10,451)	(330)	(305)	(219)	(297)
Loss from operations	(11,979)	(322)	(194)	(217)	(1,110)
Finance costs	—	—	—	—	—
Loss before tax	(11,979)	(322)	(194)	(217)	(1,110)
Taxation	—	—	—	—	—
Loss for the years/ periods	(11,979)	(322)	(194)	(217)	(1,110)

Overview

The World East Group distributed films for theatrical release in the PRC and sub-licensed the whole or part of film rights to other distributors or operators of pay or free-to-air and cable television in the PRC.

In 2004, the lifting of foreign film quota restrictions by the PRC Government has intensified the competition between Hollywood films and Hong Kong films. As the PRC first-tier cinemas have strong preference for exhibiting Hollywood films and the local television stations illegally broadcast the World East Group's films, the performance of the World East Group has also been adversely affected since 2004.

In view of the rampant piracy and the weak demand for Hong Kong-made movies in the PRC, Hong Kong film production companies has adopted a cautious approach in investing films since 2005. It results in a decrease in the number of Hong Kong-made movies produced yearly. As a result, the World East Group is not able to source a sufficient number of quality films at reasonable prices for distribution. Accordingly, the World East Group has scaled down its film distribution business.

Analysis on the results of operations of the World East Group during the three years ended 31 December 2007 and the nine months ended 30 September 2007 and 2008

Turnover

The turnover for the year ended 31 December 2005 amounted to HK$10,440,000. It represented the income generated from the distribution of 5 new films for theatrical release.

No turnover was recorded for the two years ended 31 December 2006 and 2007 and the nine months ended 30 September 2007 and 2008 as the World East Group was not able to source a sufficient number of quality films at reasonable prices for distribution.

Gross loss

The World East Group incurred a gross loss for the year ended 31 December 2005. This was mainly attributable to the income generated from the distribution of films and the sub-licensing of film rights were adversely affected by the rampant piracy and the weak demand for Hong Kong-made movies in the PRC.

Other revenue

Other revenue for the year ended 31 December 2007 amounted to HK$111,000, an 1,288% increase as compared to HK$8,000 in the year ended 31 December 2006. The increase was mainly attributable to the recognition of a written-off of accounts payable of HK$96,000 in 2007.

Other revenue for the nine months ended 30 September 2008 amounted to HK$114,000, a 5,600% increase as compared to HK$2,000 in the nine months ended 30 September 2007. The increase was attributable to the increase in bank interest income.

Administrative expenses

Administrative expenses for the year ended 31 December 2006 amounted to HK$330,000, a 97% decrease as compared to HK$10,451,000 in the year ended 31 December 2005. The substantial decrease was attributable to the implementation of a cost-saving program to reduce the overhead and the slowdown of the World East Group's film distribution business in response to the adverse market conditions in 2006.

As the World East Group was not able to source a sufficient number of quality films at reasonable prices for distribution after 2005, the administrative expenses remained at a relatively low level and were fairly stable for the two years ended 31 December 2006 and 2007 and the nine months ended 2007 and 2008

Finance costs

No finance costs for the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2007 and 2008 were recorded by the World East Group as the advances made from an immediate holding company and the fellow subsidiaries were interest-free.

Taxation

No profits tax had been provided as the World East Group had no estimated assessable profits for the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2007 and 2008.

Analysis on the financial position of the World East Group during the three years ended 31 December 2007 and the nine months ended 30 September 2008

Liquidity and financial resources

During the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008, the World East Group funded its operation from the cash generated from its operations, cash advanced from an immediate holding company and the fellow subsidiaries.

As at 31 December 2005, the total borrowings of the World East Group amounted to HK$12,151,000 representing the advances from fellow subsidiaries which were unsecured, interest-free and had no fixed terms of repayment.

As at 31 December 2006, the total borrowings of the World East Group amounted to HK$98,578,000 representing an advance from an immediate holding company which were unsecured, interest-free and had no fixed terms of repayment.

As at 31 December 2007, the total borrowings of the World East Group amounted to HK$234,288,000 representing an advance from an immediate holding company which was unsecured, interest-free and had no fixed terms of repayment.

As at 30 September 2008, the total borrowings of the World East Group amounted to HK$376,552,000 representing an advance from an immediate holding company which was unsecured, interest-free and had no fixed terms of repayment.

Charges on assets

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the World East Group has no charges on its assets.

Net current assets/liabilities

As at 31 December 2005 and 2006, the net current liabilities of the World East Group were HK$10,710,000 and HK$9,929,000 respectively.

As at 31 December 2007 and 30 September 2008, the net current assets of the World East Group were HK$1,552,000 and HK$16,044,000 respectively.

The current ratios of the World East Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 were 0.17, 0.90, 1.01 and 1.04 respectively.

Acquisition of an investment

During the nine months ended 30 September 2008, the CJV Partner acquired a 3.3% interest in the registered capital of the JV Company from Beijing Urban Development Group Co. Ltd. at a consideration of HK$4,823,000.

Contingent liabilities

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the World East Group had no material contingent liabilities.

Capital structure

There was no change in the equity capital structure of World East or the CJV Partner for the three years ended 31 December 2007 and the nine months ended 30 September 2008.

Exchange risk and hedging

As the majority of the World East Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, the exchange risk of the World East Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes were used by the World East Group for the three years ended 31 December 2007 and the nine months ended 30 September 2008.

Staff, remuneration policies and retirement benefits

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the World East Group had 5, 5, 3 and 3 staff respectively. The World East Group recognised the importance of maintain remunerations at competitive levels and in line with industry practice. According to the relevant PRC rules and regulations, the staff of the World East Group is required to participate in employee retirement and insurance schemes for its eligible staff.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

23 January 2009

The Directors
Golife Concepts Holdings Limited
Unit 1611, 16/F.
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Golife Concepts Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and its subsidiaries (hereinafter collectively referred to as the "Shinhan-Golden Group"), World East Investments Limited and its subsidiary (hereinafter collectively referred to as the "World East Group") which in turn together hold the entire equity interest of 北京莎瑪房地產開發有限公司 ("JV Company") (Formerly known as "北京建國房地產開發有限公司") (together with the Group hereinafter referred to as the "Enlarged Group") set out on pages 223 to 233 under the headings of Unaudited Pro Forma Financial Information of the Enlarged Group in Appendix VII of the Company's circular dated 23 January 2009 (the "Circular"), in connection with the proposed acquisition of the entire equity interest of Shinhan-Golden and World East (the "Acquisition"). The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Enlarged Group as presented for inclusion in Appendix VII of the Circular.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any events will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 December 2007 or any future date; or

- the financial results and cash flows of the Enlarged Group for the year ended 31 December 2007 or any future periods.

OPINION

In our opinion:

- the accompanying Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

- such basis is consistent with the accounting policies of the Group; and

- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31(1) of the GEM Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

I. Basis of preparation

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared in accordance with the Rules 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition took place on 31 December 2007.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2007 as set out in Appendix I to the Circular, the audited consolidated balance sheet of Shinhan-Golden Group and World East Group (the "Target Group") as set out in Appendix III and V to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the unaudited pro forma consolidated balance sheet of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2007, nor purport to predict the future financial position of the Enlarged Group.

The unaudited pro forma consolidated balance sheet of the Enlarged Group should be read in conjunction with the historical information of the Group as set out in the consolidated financial statements of the Group for the year ended 31 December 2007 as set out in Appendix I to the Circular and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the Acquisition.

II. Unaudited pro forma consolidated balance sheets

	The Group as at 31 December 2007	Shinhan-Golden Group as at 30 September 2008	World East Group as at 30 September 2008	Sub-total	Pro forma adjustments	Notes	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets									
Property, plant and equipment	6,712	20,406	9	27,127					27,127
Investment properties	—	905,393	—	905,393					905,393
Goodwill	—	—	—	—					—
Investments in jointly controlled entities	—	—	—	—					—
Available-for-sale investments	—	—	3,896	3,896			(3,896)	*4*	—
	6,712	925,799	3,905	936,416					932,520
Current assets									
Inventories	8,992	34,771	—	43,763					43,763
Trade receivables	4,195	219	23	4,437					4,437
Deposit paid, prepayments and other receivable	13,914	14,777	6,631	35,322					35,322
Financial assets at fair value through profit or loss	966	—	—	966					966
Derivative financial instruments	840	—	—	840					840
Amounts due from fellow subsidiaries	—	—	387,500	387,500			(387,500)	*5*	—
Amounts due from jointly controlled entities	562	—	—	562					562
Pledged deposits	5,949	—	—	5,949					5,949
Cash and cash equivalents	3,587	100,674	—	104,261	(5,582)	*1*			98,679
	39,005	150,441	394,154	583,600					190,518
Current liabilities									
Trade and bills payables	2,593	—	—	2,593					2,593
Other payables and accruals	15,114	11,518	1,535	28,167					28,167
Amount due to Riche	—	—	—	—	375,807	*6*			375,807
Receipts in advance	—	48,666	—	48,666					48,666
Derivative financial instruments	459	—	—	459					459
Interest-bearing bank and other borrowings	13,563	17,562	—	31,125					31,125
Amount due to a jointly controlled entity	675	—	—	675					675
Amount due to an immediate holding company	—	45,933	376,552	422,485	(375,807)	*6*	(46,678)	*3*	—
Amounts due to fellow subsidiaries	—	387,500	—	387,500			(387,500)	*5*	—
Tax payable	755	—	—	755					755
	33,159	511,179	378,087	922,425					488,247
Net current assets/(liabilities)	5,846	(360,738)	16,067	(338,825)					(297,729)
Total assets less current liabilities	12,558	565,061	19,972	597,591					634,791

	The Group as at 31 December 2007	Shinhan-Golden Group as at 30 September 2008	World East Group as at 30 September 2008	Sub-total	Pro forma adjustments	Notes	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
Non-current liabilities									
Interest-bearing bank and other borrowings	805	302,717	—	303,522					303,522
Convertible notes	—	—	—	—	36,021	*1(ii)*			36,021
Promissory notes payable	—	—	—	—	60,018	*1(iii)*			60,018
Deferred tax liabilities	—	57,125	—	57,125	18,193	*1(iv)*			75,318
	805	359,842	—	360,647					474,879
Total assets and liabilities	11,753	205,219	19,972	236,944					159,912
Equity									
Share capital	12,470	74,100	1	86,571	1,177	*1(i)*	(74,101)	*2*	13,647
Reserves	(717)	127,223	19,971	146,477	95,128	*1(v)*	(95,340)	*3*	146,265
	11,753	201,323	19,972	233,048					159,912
Minority interest	—	3,896	—	3,896			(3,896)	*4*	—
	11,753	205,219	19,972	236,944					159,912

III. Notes to the unaudited pro forma consolidated balance sheets

Under HKFRS 3 Business Combination ("HKFRS 3") the Group will apply the purchase method to account for the acquisition of Target Group. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Target Group will be recorded on the consolidated balance sheet of the Group at their fair value at the date of Completion. Any goodwill or discount arising on the acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Group over the Group's interest in the net fair value of the identifiable assts, liabilities and contingent liabilities of Target Group at the date of Completion. Negative goodwill resulting from the business combination should be recognised immediately in the consolidated income statement.

1. The consideration for the Acquisition to be satisfied by the Company is HK$216,119,000. The consideration is to be satisfied by:

	HK$'000
Cash consideration	5,582
Fair value of shares issued by the Company *(i)*	50,019
Fair value of the convertible notes *(ii)*	100,000
Fair value of the promissory notes *(iii)*	60,018
	215,619
Add: transaction cost directly attributable to the Acquisition	500
Total Consideration	216,119

Note:

i. Pursuant to the agreement in respect of the Acquisition, the 117,691,940 ordinary shares of the Company with par value of HK$0.01 each will be issued on the actual date of completion (the "Consideration Shares"). The fair value of the shares to be issued is approximately HK$50,019,000 with reference to the market value of HK$0.425 per share of the Company's shares as at 31 December 2007. The actual value of the Consideration Shares would be different on the Completion Date.

ii. In accordance with the Hong Kong Accounting Standards 32 "Financial Instruments: Presentation", the convertible notes should be separated as liability portion and equity portion. In preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the fair value of the liability portion and equity portion of convertible notes were approximately HK$36,021,000 and HK$63,979,000 respectively has taken its fair value at 31 December 2007 as if it was issued on that date. The fair value of the liability portion of the convertible notes was calculated based on the discounted cash flow method.

iii. The fair value of promissory notes in the amount of HK$100,000,000 would be paid by the Company with a fixed term of five years and will not carry any interest. In preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the promissory notes has taken its fair value on 31 December 2007 as if it was issued on that date. The adjustment of approximately HK$60,018,000 represented the present value of the promissory notes which based on the calculation of the discounted cash flow method.

iv. The pro forma adjustment of approximately HK$18,193,000 represents deferred tax liabilities of approximately HK$11,196,000 and HK$6,997,000 arising from issue of convertible notes and promissory notes of the Hong Kong Profits Tax Rate of 17.5%.

v. The pro forma adjustment of approximately HK$95,128,000 reserves comprised of the followings:

	HK$'000
Share premium upon issued of the Consideration Shares	48,842
Equity component of the convertible notes, net of deferred tax liabilities	52,783
Deferred tax expenses for of the promissory notes	(6,997)
Expenses for transaction cost directly attributable to the Acquisition	500
	95,128

2. The pro forma adjustment represents the following:

The adjustment of approximately HK$74,101,000 represents the elimination of the share capital of Shinhan-Golden Group & World East Group approximately HK$74,100,000 & HK$1,000 respectively upon the consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 31 December 2007.

3. The pro forma adjustment of approximately HK$95,340,000 represents the following:

	HK$'000
Pre-acquisition reserves of Shinhan-Golden Group (i)	127,233
Pre-acquisition reserves of World East Group (i)	19,971
Minority interest of Shinhan-Golden Group held by World East Group (i)	3,896
Discount on the Acquisition (ii)	(55,750)
	95,340

i. Elimination of the pre-acquisition reserves of Shinhan-Golden Group & World East Group approximately HK$127,223,000 & HK$19,971,000 respectively and the minority interest of Shinhan-Golden Group of approximately HK$3,896,000 held by World East Group upon the consolidation as if the Acquisition was completed on 31 December 2007.

ii. Discount on the Acquisition of approximately HK$55,750,000 arising from the Acquisition which is derived from the calculation as follow:

	HK$'000
Total consideration, at fair value	216,119
Fair value of attributable interest:	
NAV of Shinhan-Golden Group	(205,219)
NAV of World East Group	(19,972)
Adjustment for sale loan:	
Shinhan-Golden Group	(45,933)
World East Group	(745)
Discount on the Acquisition	(55,750)

4. The pro forma adjustment of approximately HK$3,896,000 represents the elimination of the 3.33% registered capital of the JV Company which is held by World East Group upon the consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 31 December 2007.

5. The pro forma adjustment of approximately HK$387,500,000 represents the elimination of the inter-company balance of Shinhan-Golden Group and World East Group upon the consolidation as if the Acquisition was completed on 31 December 2007.

6. The pro forma adjustment of approximately HK$375,807,000 represents the reallocation of the debt owed by the CJV Partner to Riche (the "CJV Partner's Loan") to amount due to Riche upon the consolidation as if the Acquisition was completed on 31 December 2007.

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated income statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 January 2007. The unaudited pro forma consolidated income statement is based on the unaudited pro forma consolidated income statement of the Group for the year ended 31 December 2007 as set out in Appendix I of the Company's circular dated 23 January 2009 which provide information about how the Acquisition might have affected the financial information of the Group, the audited consolidated income statement of the Target Group for the year ended 31 December 2007 as set out in Appendix III and V to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

I. Unaudited pro forma consolidated income statements

	The Group for the year ended 31 December 2007	Shinhan-Golden Group for the year ended 31 December 2007	World East Group for the year ended 31 December 2007	Sub Total	Pro forma adjustments	Notes	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*		*HK$'000*
Turnover									
Continuing operations	60,536	2,917	—	63,453					63,453
Discontinued operations	62	—	—	62					62
	60,598	2,917	—	63,515					63,515
Cost of sales	(22,830)	(858)	—	(23,688)					(23,688)
Gross profit	37,768	2,059	—	39,827					39,827
Other income	—	106,956	—	106,956					106,956
Other revenue and gains	6,212	172	111	6,495					6,495
Decrease in fair value of investment properties	—	43,853	—	43,853					43,853
Discount on acquisition of subsidiaries	—	—	—	—	55,750	*7*			55,750
Selling and distribution costs	(3,600)	—	—	(3,600)					(3,600)
Administrative expenses	(55,264)	(11,925)	(305)	(67,494)					(67,494)
Finance costs	(1,800)	(19,494)	—	(21,294)	(6,999)	*8*	(500)	*10*	(28,793)
Share of loss of jointly controlled entities	(4)	—	—	(4)					(4)
Impairment of goodwill	(75,552)	—	—	(75,552)					(75,552)
Profit/(loss) before tax									
Continuing operations	(92,580)	121,621	(194)	28,847					77,098
Discontinuing operations	340	—	—	340					340
	(92,240)	121,621	(194)	29,187					77,438
Tax									
Continuing operations	—	(13,156)	—	(13,156)			2,252	*9*	(10,904)
Discontinued operations	—	—	—	—					—
	—	(13,156)	—	(13,156)					(10,904)
Profit/(loss) attributable to Shareholders									
Continuing operations	(92,580)	108,465	(194)	15,691					66,194
Discontinued operations	340	—	—	340					340
	(92,240)	108,465	(194)	16,031					66,534

II. Notes to the unaudited pro forma consolidated income statement

7. The pro forma adjustment of approximately HK$55,750,000 represents discount on the Acquisition. In the opinion of the directors, the effect of discount on the Acquisition would be fairly presented on the unaudited pro forma consolidated income statement, if assuming that the Acquisition has been completed on 31 December 2007. Details please refer to note 3ii of the Unaudited Pro Forma Financial Information of the Enlarged Group.

8. The pro forma adjustment of approximately HK$6,999,000 represents the effect of annual finance cost of imputed interest expenses of the convertible note and the promissory note of approximately HK$2,552,000 and HK$4,447,000 respectively in the consolidated income statement of the Enlarged Group with the imputed interest rate of 11.75% for the year ended 31 December 2007. These interest expenses will have continuing effect on the financial statements of the Enlarged Group in subsequent years.

9. The pro forma adjustment of approximately HK$2,252,000 represents the adjustment of the deferred tax effect of the convertible notes & the promissory note of approximately HK$1,092,000 and HK$1,160,000 respectively in the unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2007.

10. The pro forma adjustment of approximately HK$500,000 represents the adjustment of the transaction cost directly attributable to the Acquisition for the year ended 31 December 2007.

C. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 January 2007. The unaudited pro forma consolidated cash flow statement is based on the unaudited pro forma consolidated cash flow statement of the Group for the year ended 31 December 2007 as set out in Appendix I of the Company's circular dated 23 January 2009 which provide information about how the Acquisition might have affected the financial information of the Group, the audited consolidated income statement of the Target Group for the year ended 31 December 2007 as set out in Appendix III and V to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

I. Unaudited pro forma consolidated cash flow statement

	The Group for the year ended 31 December 2007	Shinhan-Golden for the year ended 31 December 2007	World East for the year ended 31 December 2007	Sub-total	Pro-forma adjustments	Notes	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
Operating activities									
Profit/(loss) before tax									
Continuing operations	(92,580)	121,621	(194)	28,847	48,251	*11*			77,098
Discontinued operations	340	—	—	340					340
Adjustment for:									
Finance costs	1,800	19,494	—	21,294	500	*10*	6,999	*12*	28,793
Interest income	(247)	(139)	(15)	(401)					(401)
Depreciation	2,991	595	1	3,587					3,587
Discount on acquisition of a subsidiary	—	—	—	—			(55,750)	*13*	(55,750)
Impairment of goodwill	75,552	—	—	75,552					75,552
Impairment of intangible assets	4,047	—	—	4,047					4,047
Impairment of trade receivable	490	—	—	490					490
Amortisation of intangible assets	673	—	—	673					673
Equity-settled share option expenses	98	—	—	98					98
Share of loss of jointly controlled entities	4	—	—	4					4
Loss on disposal of property, plant and equipment	501	—	—	501					501
Gain on disposal of subsidiaries	(385)	—	—	(385)					(385)
Increase in fair value of investment properties	—	(43,853)	—	(43,853)					(43,853)
Fair value gain on financial assets at fair value through profit or loss	(4)	—	—	(4)					(4)
Fair value gain on derivative financial instruments	(381)	—	—	(381)					(381)
Operating cash flow before movements in working capital	(7,101)	97,718	(208)	90,409					90,409
(Increase)/decrease in inventories	(6,349)	12,371	—	6,022					6,022
(Increase)/decrease in trade receivable	(2,476)	(849)	543	(2,782)					(2,782)
Increase in deposits, prepayment and other receivable	(9,316)	(8,312)	(4,251)	(21,879)					(21,879)
Decrease in financial assets at fair value through profit or loss	5,228	—	—	5,228					5,228
Decrease in derivative financial instruments	92	—	—	92					92
Increase in amounts due from fellow subsidiaries	—	—	(143,667)	(143,667)			143,667	*15*	—
Increase in amounts due to fellow subsidiaries	—	143,667	—	143,667			(143,667)	*15*	—
Increase in amount due to an immediate holding company	—	1,926	135,710	137,636			(137,636)	*16*	—
Increase in amount due to Riche	—	—	—	—			137,636	*16*	137,638
Decrease in trade and bills payables	(523)	—	—	(523)					(523)

	The Group for the year ended 31 December 2007 HK$'000	Shinhan-Golden for the year ended 31 December 2007 HK$'000	World East for the year ended 31 December 2007 HK$'000	Sub-total HK$'000	Pro-forma adjustments HK$'000	Notes	Pro forma adjustments HK$'000	Notes	The Enlarged Group Total HK$'000
(Increase)/decrease in other payables and accruals	12,237	(3,092)	184	9,329					9,329
Decrease in receipts in advances	—	(13,858)	—	(13,858)					(13,858)
Increase in amount due to a jointly controlled entity	675	—	—	675					675
Cash (used in)/generated from operation	(7,533)	229,571	(11,689)	210,349					210,349
Interest received	247	139	15	401					401
Tax paid	(321)	—	—	(321)					(321)
Net cash (used in)/generated from operating activities	(7,607)	229,710	(11,674)	210,429					210,429
Investing activities									
Disposal of subsidiaries	50	—	—	50					50
Purchases of shareholding in jointly controlled entities	(4)	—	—	(4)					(4)
Advances to jointly controlled entities	(562)	—	—	(562)					(562)
Purchase of property, plant and equipment	(7,249)	(4,890)	(7)	(12,146)					(12,146)
Purchase of renovation of investment properties	—	(116,960)	—	(116,960)					(116,960)
Payments to acquire subsidiaries	—	—	—	—			(5,582)	*14*	(5,582)
Increase in pledged time deposits	(5,949)	—	—	(5,949)					(5,949)
Net cash used in investing activities	(13,714)	(121,850)	(7)	(135,571)					(141,153)
Financing activities									
Interest paid	(1,056)	(19,494)	—	(20,550)					(20,550)
Proceeds from issue of shares	24,415	—	—	24,415					24,415
Redemption of convertible notes	(1,000)	—	—	(1,000)					(1,000)
New bank loans	3,807	71,281	—	75,088					75,088
Repayment of bank loans	(7,202)	—	—	(7,202)					(7,202)
Increase in trust receipt loans	4,577	—	—	4,577					4,577
Repayments of capital element of finance leases	(395)	—	—	(395)					(395)
Net cash generated from financing activities	23,146	51,787	—	74,933					74,933
Net increase/(decrease) in cash and cash equivalents	1,825	159,647	(11,681)	149,791					144,209
Cash and cash equivalents at the beginning of year/period	955	5,799	—	6,754					6,754
Exchange reserves		(126,311)	11,681	(114,630)					(114,630)
Cash and cash equivalents at the end of year/period	2,780	39,135	—	41,915					36,333
Analysis of balances of cash and cash equivalents									
Cash and bank balances	3,587	39,135	—	42,722			(5,582)		37,140
Bank overdrafts	(807)	—	—	(807)					(807)
	2,780	39,135	—	41,915					36,333

II. Notes to the unaudited pro forma consolidated cash flow statement

11. The pro forma adjustment to the consolidated cash flow statement of approximately HK$48,251,000 represents the recognition of the discount on acquisition of subsidiaries of approximately HK$55,750,000, the transaction costs directly attributable to the Acquisition of approximately HK$500,000 and finance cost of approximately HK$6,999,000 for the purpose of adjusting the profit before taxation.

12. The pro forma adjustment of approximately HK$6,999,000 represents the annual finance cost of imputed interest expenses of the Convertible note and the Promissory Note approximately HK$2,552,000 and HK$4,447,000 respectively to be expensed in the consolidated income statement of the Enlarged Group with the imputed interest rate of 11.75% for the year ended 31 December 2007. These interest expenses will have the continuing effect on the financial statements of the Enlarged Group in subsequent years.

13. The pro forma adjustment of approximately HK$55,750,000 represents discount on the Acquisition. In the opinion of the directors, the effect of discount on the Acquisition would be fairly presented on the unaudited pro forma consolidated cash flow statement, if assuming that the Acquisition has been completed on 31 December 2007. Details please refer to note 3ii of the Unaudited Pro Forma Financial Information.

14. The pro forma adjustment of approximately HK$5,582,000 represents the cash payment as part of the consideration of the Acquisition.

15. The pro forma adjustment of approximately HK$143,667,000 represents the elimination of the inter-company balances of Shinhan-Golden Group and World East Group upon the consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 31 December 2007.

16. The pro forma adjustment of approximately HK$137,636,000 represents the reallocation of the CJV Parter's Loan to other receivable upon the consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 31 December 2007.

GRANT SHERMAN APPRAISAL LIMITED

Room 1701, 17/F
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

23 January 2009

The Directors
Golife Concepts Holdings Limited
Unit 1611, 16/F.
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests and to be acquired property interest of Golife Concepts Holdings Limited or its subsidiaries (together referred as "the Group") located in Hong Kong, the People's Republic of China ("PRC") and Taiwan, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 November 2008 (the "Valuation Date").

Our valuation is our opinion of market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

We have valued the property interest in Group I by direct comparison approach assuming sale in their existing state by making reference to comparable sales evidences as available in the relevant market.

For the property interests in Group II and Group III, which are leased/licensed by the Group in Hong Kong and Taiwan, we are of the opinion that no commercial value attribute to the Group due mainly to the short term nature or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the property value.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In the course of our valuation, we have assumed that all consents, approvals and licenses from relevant government authorities for the property have been granted or can be obtained and renewed without any onerous conditions or undue time delay which might affect its value.

We have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term as granted and is entitled to transfer the properties with the residual term without payment of any further premium to the government authorities or any third parties.

In valuing the property interest, we have complied with all the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

We have been provided with copies of extracts of title documents relating to the properties. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. Due to the nature of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might be attached to the properties. In the preparation of our valuation report regarding the properties in the PRC, we have relied to the considerable extent on the legal opinion provided by the Company's legal adviser, Beijing Sino-Promise Law Firm on the PRC laws regarding the titles of the property in the PRC. In the preparation of our valuation report regarding the properties in Taiwan, we have relied to the considerable extent on the legal opinion provided by the Company's legal adviser, Huang & Partners on Taiwan laws regarding the titles of the property in Taiwan.

In the course of our valuation, we have relied on a considerable extent on the information provided by the Company on such matters as property title, statutory notices, easements, tenure, occupation, site and floor areas, identification of the property and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information supplied. All documents have been used as reference only. All dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the properties in respect of which we have been provided with such information as we have required for the purpose of our valuations. However, no structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structure which were covered, unexposed or inaccessible. We are therefore, unable to report that the properties are free of rot, infestation or any structural defect. No tests have been carried out on any of the building services.

Unless otherwise specified, all amounts are denominated in Renminbi.

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We enclose herewith the valuation summary and valuation certificates.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Peggy Y.Y. Lai
MRICS MHKIS RPS(GP)
Associate Director
Real Estate Group

Note: Ms. Peggy Y.Y. Lai is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 5 years experience in the valuation of properties in Hong Kong, the PRC and the Asian Region.

SUMMARY OF VALUATION

Group I — Property interests to be acquired by the Group in PRC for investment purposes

	Property	Market Value as at 30 November 2008 *(RMB)*
1.	Serviced apartment blocks, excluding 17 apartment units and 13 carparking spaces located at Inner Jiangguo Gate of Dongcheng District, Beijing, the PRC (currently known as No. 9 Gongyaun Xijie, Dongcheng District, Beijing, the PRC)	800,000,000
	Sub-total	**800,000,000**

Group II — Property interests licensed/leased by the Group in Hong Kong

2.	Shop 208 on 2/F and Lightbox No. 14 on Ground Floor, The Lee Gardens, No. 33 Hysan Avenue, Causeway Bay, Hong Kong	No Commercial Value
3.	HL-211a and HL-215 on 2/F, The Landmark Atrium, No. 15 Queen's Road Central, Central, Hong Kong	No Commercial Value
4.	HL-325 on 3/F, The Landmark Atrium, No. 15 Queen's Road Central, Central, Hong Kong	No Commercial Value
5.	Shop 113B on Level 1, Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon	No Commercial Value
6.	Shop 3222A on Level 3, Gateway Arcade, Harbour City, Tsim Sha Tsui, Kowloon	No Commercial Value

	Property	**Market Value as at 30 November 2008** *(RMB)*
7.	Shop No. 2055 on Level Two of the Site R Retail Accommodation of IFC Mall, No. 8 Finance Street, Central, Hong Kong	No Commercial Value
8.	Shop No. 2034 on Level Two of the Site R Retail Accommodation of IFC Mall, No. 8 Finance Street, Central, Hong Kong	No Commercial Value
9.	Shop 112 on 1/F, Lee Gardens Two, No. 28 Yun Ping Road, Causeway Bay, Hong Kong	No Commercial Value
10.	Shop 108 on 1/F, Chater House, No. 8 Connaught Road Central, Hong Kong	No Commercial Value
11.	Shop No. 2115 on Second Level, Elements, Kowloon Station, No. 1 Austin Road West Kowloon	No Commercial Value
12.	Shop A on Ground Floor, Fashion Walk, No. 9-11 Cleveland Street, Causeway Bay, Hong Kong	No Commercial Value
13.	Suite A on 15/F, Wyndham Place, No. 44 Wyndham Street, Central, Hong Kong	No Commercial Value
	Sub-total	**No Commercial Value**

Group III — Property interests leased by the Group in Taiwan

	Property	Market Value as at 30 November 2008 *(RMB)*
14.	Portion on B1/F of Pacific Sogo Taipei, No. 246 of Section 1 of Tan Hwa South Road, Daan District, Taipei City, Taiwan	No Commercial Value
15.	Portion on 2/F, of Shin Kong Mitsukoshi, Xinyi, New Life Square A9, No. 9 SongShou Road, Xinyi District, Taipei City, Taiwan	No Commercial Value
16.	Portion on 1/F, Block B of Shin Kong Mitsukoshi, Taipei Tianmu Branch, Nos. 200, 202 and 204 of Section 2 of Zhongcheng Road, Taipei City, Taiwan	No Commercial Value
17.	Portion of 1/F, Shin Kong Mitsukoshi, Tainan New Life Square No. 658 of Section 1 of Ximen Road, Tainan City, Taiwan	No Commercial Value
18.	Portion on 2/F, Shin Kong Mitsukoshi, Taichung Branch No. 111 of Section 2, Taichung Port Road, Xitun District, Taichung, Taiwan	No Commercial Value
	Sub-total	**No Commercial Value**
	GRAND TOTAL	**800,000,000**

VALUATION CERTIFICATE

Group I — Property interest to be acquired by the Group in the PRC for investment purpose

	Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
1.	Serviced apartment blocks, excluding 17 apartment units and 13 carparking spaces located at Inner Jiangguo Gate of Dongcheng District, Beijing, the PRC (currently known as No. 9 Gongyaun Xijie, Dongcheng District, Beijing, the PRC) ("Property")	Serviced apartment blocks is erected on a site with a site area of 5,679.75 sq.m. It consists of two buildings, the main building and the acillary building completed in about 2000. The Property comprises portion of the subject buildings with a total gross floor area of about 44,158.24 sq.m. It consists of 208 rooms together with ancilliary facilities for serviced apartment purpose.	As at the date of valuation, Property with a total gross floor area of about 2,480 sq.m. are leased to various third parties for various terms at a total monthly rental of approximately RMB440,200.	800,000,000

Notes:

(i) According to the information provided by the Company, a State-owned land use Rights Certificate No. 京市東涉外國有(2001出)字第10136號 (Jing Shi Dong She Wai Guo You (2001 Chu) Zi Di No. 10136, the land use rights of a site having an area of approximately 5,679.75 sq.m. have been granted to 北京建國房地產開發有限公司 (renamed as 北京莎瑪房地產開發有限公司 ("JV Company") for apartment use for a term up to May 20, 2067.

(ii) According to a Building Ownership Certificate 京市東涉外字第10098號 (Jing Shi Dong She Wai Zi Di No. 10098), building with an area of 46,809.97 sq.m. has been held by 北京建國房地產開發有限公司.

(iii) As advised by the Company, a few units has been sold out, the total gross floor area of the Property is approximately 44,158.24 sq.m.

(iv) We have been provided with a legal opinion on the property interest prepared by Beijing Sino-Promise Law Firm the Company's PRC legal advisors, which contains, inter alia, the following information:

(a) JV Company has obtained the land use rights and building ownerships under the aforesaid State-owned Land use Right Certificate and Building Ownerships Certificate mentioned in Notes (i) and (ii)

(b) JV Company is entitled to transfer, let or mortgage the subject property.

(c) Portion of Property is subject to a mortgage in favour of 恒生銀行有限公司福州分行 dated December 14, 2006.

(d) The Property is subject to 3 legal proceedings.

1. Unit 606 and car parking space no. 58 of the Property are subject to contractual dispute;
2. JV Company requests for the specific performance to Unit 2002 of the Property; and
3. JV Company is subject to a trespass to real property at the amount of RMB600,000.

VALUATION CERTIFICATE

Group II — Property interest licensed/leased by the Group in Hong Kong

	Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
2.	Shop 208 on 2/F and Lightbox No. 14 on G/F, The Lee Gardens, No. 33 Hysan Avenue, Causeway Bay, Hong Kong	The property comprises a shop unit on 2nd floor and a lightbox on ground floor of a shopping centre completed in about 1997. The area of the shop unit is about 1,031 sq.ft. The property is held under Government leases commencing from 24 December 1865 for a term of 999 years and commencing from 25 June 1860 for a term of 982 years. The total Government rent payable for the lots is $266 per annum.	Shop 208 on 2/F is leased to the Group from an independent third party for a term from 1 August 2008 to 31 July 2011 at a monthly rent of HK$123,720 or a turnover rent calculated at 12% of the monthly gross turnover whichever is the higher, exclusive of operating charge, promotion charge, government rates and other outgoings. Lightbox 14 on ground floor is licensed to the Group from an independent third party for a term from 1 August 2008 to 31 July 2011 at a monthly license fee of HK$1,250 exclusive of government rates and other outgoings. The property is occupied by the Group for retail use.	No commercial Value

VALUATION CERTIFICATE

	Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
3.	HL-211a and HL-215 on 2/F, The Landmark Atrium, No. 15 Queen's Road Central, Central, Hong Kong	The property comprises HL-211a and HL-215 on 2nd floor of a shopping centre completed in about 1979. The area of the property is about 300 sq.ft. The property is held under Government leases commencing from 24 June 1863 and 26 June 1843 for a term of 999 years and commencing from 25 June 1861 for a term of 981 years. The total Government rent payable for the lots is $2,114.23 per annum.	The property is licensed to the Group from an independent third party for a term from 3 August 2008 to 2 August 2011 at a monthly license fee of HK$137,500 for Year 1, HK$154,688 for Year 2, HK$174,024 for Year 3 or a turnover rent calculated at 25% of the monthly gross turnover whichever is the higher, exclusive of promotion charge and cleaning charge. The property is occupied by the Group for retail use.	No commercial Value

VALUATION CERTIFICATE

	Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
4.	HL-325 on 3/F, The Landmark, The Landmark Atrium, No. 15 Queen's Road Central, Central, Hong Kong	The property comprises HL-325 on 3/F of a shopping centre completed in about 1979. The area of the property is about 337 sq.ft. The property is held under Government leases commencing from 24 June 1863 and 26 June 1843 for a term of 999 years and commencing from 25 June 1861 for a term of 981 years. The total Government rent payable for the lots is $2,114.23 per annum	The property is licensed to the Group from an independent third party for a term from 23 August 2007 to 22 August 2009 at a monthly license fee of HK$102,125 or a turnover rent calculated at 25% of the monthly gross turnover whichever is the higher, exclusive of promotion charge and cleaning charge. The property is occupied by the Group for retail use.	No commercial Value
5.	Shop 113B on Level 1, Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon	The property comprises a shop unit on Level 1 of a shopping centre completed in about completed in about 1977. The area of the property is about 700 sq.ft. The property is held under a Government Lease for a term of 999 years commencing from 13 September 1881 at a Government rent of $1,720 per annum.	The property is leased to the Group from an independent third party for a term from 15 May 2006 to 14 May 2009 at a monthly rent of HK$123,300 for Year 1, HK$130,150 for Year 2, HK$137,000 for Year 3 or a turnover rent calculated at 15% of the monthly gross turnover whichever is the higher exclusive of management fee, air-conditioning charges, promotion charge, government rates and other outgoings. The property is occupied by the Group for retail use.	No commercial Value

VALUATION CERTIFICATE

	Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
6.	Shop 3222A on Level 3, Gateway Arcade, Harbour City, Tsim Sha Tsui, Kowloon	The property comprises a shop unit on Level 3 of a shopping centre completed in about 1994. The area of the property is about 474 sq.ft. The property is held under Government Lease for a term of 999 years commencing from 13 September 1881 at a Government rent of $6,510 per annum.	The property is leased to the Group from an independent third party for a term from 13 June 2007 to 12 June 2009 at a monthly rent of HK$104,280 for Year 1, HK$109,020 for Year 2 or a turnover rent calculated at 15% of the monthly gross turnover whichever is the higher, exclusive of management fee, air-conditioning charges, promotion charge , government rates and other outgoings. The property is occupied by the Group for retail use.	No commercial Value
7.	Shop No. 2055 on Level Two of Site R Retail Accommodation of IFC Mall, No. 8 Finance Street, Central, Hong Kong	The property comprises a shop unit on Podium Level 2 of a shopping centre completed in about in about 1998. The area of the property is about 986 sq.ft. The property is held under a Conditions of Grant for a term commencing from 21 May 1997 to 30 June 2047 at an annual Government rent equal to 3% of the rateable value for the time being of the lot.	The property is leased to the Group from an independent third party for a term of 3 years commencing from 1 May 2007 at a monthly rent of HK$246,500 for Year 1, HK$256,360 for Year 2, HK$266,220 for Year 3 or a turnover rent calculated at 15% of the monthly gross turnover whichever is the higher exclusive of management fee, air-conditioning charges, promotion charge, government rates and other outgoings. The property is occupied by the Group for retail use.	No commercial Value

VALUATION CERTIFICATE

	Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
8.	Shop No. 2034 on Level Two of Site R Retail Accommodation of IFC Mall, No. 8 Finance Street, Central, Hong Kong	The property comprises a shop unit on Podium Level 2 of a shopping centre completed in about 1998. The area of the property is about 100 sq.ft. The property is held under a Conditions of Grant for a term commencing from 21 May 1997 to 30 June 2047 at an annual Government rent equal to 3% of the rateable value for the time being of the lot.	The property is leased to the Group from an independent third party for a term of 3 years commencing from 8 July 2007 at a monthly rent of HK$58,000 for Year 1, HK$59,000 for Year 2, HK$60,000 for Year 3 or a turnover rent calculated at 15% of the monthly gross turnover whichever is the higher exclusive of management fee, air-conditioning charges, promotion charge, government rates and other outgoings. The property is occupied by the Group for retail use.	No commercial Value
9.	Shop 112 on 1/F, Lee Gardens Two, No. 28 Yun Ping Road, Causeway Bay, Hong Kong	The property comprises a shop unit on 1st floor of a shopping centre completed in about 1992. The area of the property is about 439 sq.ft. The property is held under Government leases commencing from 24 December 1865 for a term of 999 years and commencing from 25 June 1860 for a term of 982 years. The total Government rent payable for the lots is $242 per annum.	The property is leased to the Group from an independent third party for a term from 14 Febraury 2008 to 13 February 2011 at a monthly rent of HK$61,460 for Year 1, HK$64,533 for Year 2, HK$67,606 for Year 3 or a turnover rent calculated at 15% of the monthly gross turnover whichever is the higher exclusive of operating charge, promotion charge, government rates and other outgoings. The property is occupied by the Group for retail use.	No commercial Value

VALUATION CERTIFICATE

Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
10. Shop 108 on 1/F, Chater House, No. 8 Connaught Road Central, Hong Kong	The property comprises a shop unit on 1st floor of a shopping centre completed in about 2002. The area of the property is about 1,248 sq.ft. The property is held under Government leases commencing from 24 December 1901 for a term of 999 years and commencing from 18 July 1899 for a term of 999 years at a total Government rent of $686 per annum.	The property is leased to the Group from an independent third party for a term from 1 November 2008 to 31 December 2009 at a monthly rent of HK$287,040 exclusive of management fee, promotion charge, government rates and other outgoings. The property is occupied by the Group for retail use.	No commercial Value
11. Shop No. 2115 on Second Level, Elements, Kowloon Station, No. 1 Austin Road West Kowloon	The property comprises a shop unit on 2nd level of a shopping centre completed in about 2005. The area of the property is about 1,290 sq.ft. The property is held under a Conditions of Grant for a term commencing from 8 July 1996 to 30 June 2047 at an annual Government rent equal to 3% of the rateable value for the time being of the lot.	The property is leased to the Group from an independent third party for a term from 1 October 2007 to 30 September 2010 at a monthly basic rent of HK$193,500 for Year 1, HK$206,400 for Year 2, HK$232,200 for Year 3 or a turnover rent calculated at 15% of the monthly gross turnover whichever is the higher exclusive of management fee, air-conditioning charges, promotion charge, government rates and other outgoings. The property is occupied by the Group for retail use.	No commercial Value

VALUATION CERTIFICATE

Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
12. Shop A on Ground Floor, Fashion Walk, No. 9-11 Cleveland Street, Causeway Bay, Hong Kong	The property comprises a shop unit on Ground Floor of a 12-storey composite building completed in about 1964. The area of the property is about 1,200 sq.ft. The property is held under a Government lease for a term of 999 years commencing from 25 December 1869 at a Government rent of $33.51 per annum.	The property is leased to the Group from an independent third party for a term from 1 March 2008 to 28 February 2011 at a monthly basic rent of HK$110,000 or a turnover rent calculated at 15 % of the monthly gross turnover whichever is the higher exclusive of management fee, air-conditioning charges, government rates and other outgoings. The property is occupied by the Group for retail use.	No commercial Value
13. Suite A on 15/F, Wyndham Place, No. 44 Wyndham Street, Central, Hong Kong	The property comprises an office unit on 15th floor of a 31-storey commercial building completed in about 1992. The gross floor area of the property is about 1,359 sq.ft. The property is held under Government leases for a term of 999 years commencing from 22 January 1844 at a total Government rent of $36 per annum.	The property is leased to the Group from an independent third party for a term from 1 March 2007 to 28 February 2009 at a monthly rent of HK$29,295 exclusive of management fee, air-conditioning charges, government rates and other outgoings with an option to renew the tenancy for a further term of 2 years. The property is occupied by the Group for office use.	No commercial Value

VALUATION CERTIFICATE

Group III — Property interests leased by the Group in Taiwan

	Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
14.	Portion on B1/F of Pacific Sogo Taipei, No. 246 of Section 1 of Tan Hwa South Road, Daan District, Taipei City, Taiwan	The property comprises a Portion area on B1/F of a multi-storey department store completed in about 1988. The area of the property is about 950 sq.ft.	The property is leased to the Group from an independent third party for a term from 1 September 2007 to 20 August 2009 at a monthly rent calculated at 21 % of the monthly turnover. The property is ocuppied by the Group for retail use.	No commercial Value

Notes:

(i) We have been provided with a legal opinion on the property interest prepared by Huang & Partners the Group's Taiwan legal advisors, which contains, inter alia, the following information:

(a) Subject to the slight deficiency in the legal form and the associated potential but curable risk, the lease agreement should be deemed as containing valid and bind provisions under the law of Taiwan.

(b) Under the law of Taiwan, the Group should be entitled to the unencumbered rights of the leasehold interests as described and evidenced in the lease agreement.

VALUATION CERTIFICATE

	Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
15.	Portion on 2/F, of Shin Kong Mitsukoshi, Xinyi New Life Square A9, No. 9 SongShou Road, Xinyi District, Taipei City, Taiwan	The property comprises a Portion area on 2/F of a multi-storey department store completed in about 2003. The area of the property is about 646 sq.ft.	The property is leased to the Group from an independent third party for a term from 1 October 2008 to 31 August 2009 at a monthly rent calculated at 21 % of the monthly turnover. The property is ocuppied by the Group for retail use.	No commercial Value

Notes:

(i) We have been provided with a legal opinion on the property interest prepared by Huang & Partners the Group's Taiwan legal advisors, which contains, inter alia, the following information:

(a) Subject to the slight deficiency in the legal form and the associated potential but curable risk, the lease agreement should be deemed as containing valid and bind provisions under the law of Taiwan.

(b) Under the law of Taiwan, the Group should be entitled to the unencumbered rights of the leasehold interests as described and evidenced in the lease agreement.

VALUATION CERTIFICATE

	Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
16.	Portion on 1/F, Block B of Shin Kong Mitsukoshi, Taipei Tianmu Branch, Nos. 200, 202 and 204 of Section 2 of Zhongcheng Road, Taipei City, Taiwan	The property comprises a Portion area on 1/F of a multi-storey department store completed in about 2003. The area of the property is about 374 sq.ft.	The property is leased to the Group from an independent third party for a term from 1 April 2008 to 31 March 2009 at a monthly rent calculated at 21 % of the monthly turnover. The property is ocuppied by the Group for retail use.	No commercial Value

Notes:

(i) We have been provided with a legal opinion on the property interest prepared by Huang & Partners the Group's Taiwan legal advisors, which contains, inter alia, the following information:

(a) Subject to the slight deficiency in the legal form and the associated potential but curable risk, the lease agreement should be deemed as containing valid and bind provisions under the law of Taiwan.

(b) Under the law of Taiwan, the Group should be entitled to the unencumbered rights of the leasehold interests as described and evidenced in the lease agreement.

VALUATION CERTIFICATE

	Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
17.	Portion of 1/F, Shin Kong Mitsukoshi , Tainan New Life Square No. 658 of Section 1 of Ximen Road, Tainan City, Taiwan	The property comprises a Portion area on 1/F of a multi-storey department store completed in about 2002. The area of the property is about 1,378 sq.ft.	The property is leased to the Group from an independent third party for a term from 1 October 2008 to 31 August 2009 at a monthly rent calculated at 21 % of the turnover. The property is ocuppied by the Group for retail use.	No commercial Value

Notes:

(i) We have been provided with a legal opinion on the property interest prepared by Huang & Partners the Group's Taiwan legal advisors, which contains, inter alia, the following information:

(a) Subject to the slight deficiency in the legal form and the associated potential but curable risk, the lease agreement should be deemed as containing valid and bind provisions under the law of Taiwan.

(b) Under the law of Taiwan, the Group should be entitled to the unencumbered rights of the leasehold interests as described and evidenced in the lease agreement.

VALUATION CERTIFICATE

Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
18. Portion on 2/F, Shin Kong Mitsukoshi, Taichung Branch No. 111 of Section 2, Taichung Port Road, Xitun District, Taichung, Taiwan	The property comprises a Portion area on 2/F of a multi-storey department store completed in about 2000. The area of the property is about 689 sq.ft.	The property is leased to the Group from an independent third party for a term from 1 October 2008 to 31 August 2009 at a monthly rent calculated at 21% of the turnover. The property is ocuppied by the Group for retail use.	No commercial Value

Notes:

(i) We have been provided with a legal opinion on the property interest prepared by Huang & Partners the Group's Taiwan legal advisors, which contains, inter alia, the following information:

(a) Subject to the slight deficiency in the legal form and the associated potential but curable risk, the lease agreement should be deemed as containing valid and bind provisions under the law of Taiwan.

(b) Under the law of Taiwan, the Group should be entitled to the unencumbered rights of the leasehold interests as described and evidenced in the lease agreement.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and is not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date:

Authorised:		*HK$*
30,000,000,000	Shares authorised	1,500,000,000.00
Issued and fully paid:		
460,497,258	Shares in issue	23,024,862.90
117,691,940	Shares to be issued after the allotment and issue of the CS Consideration Shares	5,884,597.00
2,000,000,000	Shares to be issued upon exercise of the conversion rights attaching to the CS Convertible Bond	100,000,000.00
7,493,556,240	Shares to be issued upon exercise of the conversion rights attaching to the Settlement Convertible Bond *(Note 1)*	374,677,812.00
10,071,745,438	Shares *(Note 2)*	503,587,271.90

Notes:

1. The number of Shares as indicated is the maximum number of Shares to be issued which based on the assumption that (i) there is no repayment on any part of the CJV Partner's Loan; and (ii) there is exercise in full of the conversion rights attaching to the Settlement Convertible Bond.

2. For details regarding the potential effects of the CS Consideration Shares, the CS Convertible Bond, the Settlement Convertible Bond, the BA Convertible Bonds and the CSE Convertible Bonds on the issued share capital of the Company, please refer to the section headed "Shareholding structure" in the Letter from the Board in this circular.

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital.

There are no arrangements under which future dividends will be waived or agreed to be waived.

The Shares in issue are listed on the GEM. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the GEM and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company had 594,000 outstanding Share Options and the Other Convertible Bonds of HK$45.20 million which in aggregate entitling holders thereof to subscribe for 398,432,600 Shares. Saved as disclosed above, the Company does not have any other outstanding options, convertible notes or securities in issue which are convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(a) Long position in Share Options

Name of Directors	Date of grant	Adjusted exercise price per Share *(Note)* *(HK$)*	Number of Share Options prior to share consolidation	Adjustment for share consolidation *(Note)*	Number of Share Options as at the Latest Practicable Date	Approximate percentage of the Company's issued share capital *(%)*
Richard Yen	3 July 2007	1.095	990,000	792,000	198,000	0.04
Duncan Chiu	3 July 2007	1.095	990,000	792,000	198,000	0.04
Gouw Hiap Kian	3 July 2007	1.095	990,000	792,000	198,000	0.04

Note: The exercise prices and numbers of Share Options have been adjusted due to the completion of the share consolidation on 13 August 2008.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons or corporations (not being Directors or chief executive of the Company), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or which were required to be entered in the register maintained by the Company pursuant to section 336 of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

(a) Long position in Shares and/or underlying Shares

Name of Shareholders	Number of Shares/ underlying Shares interested or deemed to be interested	Approximate percentage of the Company's issued share capital *(%)*
Win Win Fortune Limited *(Note 1)*	34,482,758	7.49
Cheung Pui Kay *(Note 2)*	29,362,068	6.37
Chan Mei Sau, Teresina *(Note 3)*	338,087,773	73.42
Ho Pui Sau	17,640,000	6.39
China Star *(Note 4)*	9,658,152,810	999.99
Riche *(Note 4)*	9,658,152,810	999.99
The Subscriber *(Note 5)*	2,000,000,000	724.83
CSE *(Note 6)*	1,200,000,000	434.89
Chu Yuet Wah *(Notes 7 & 8)*	110,290,281	23.95
Kingston Securities *(Note 8)*	96,955,673	21.05
Ma Siu Fong *(Note 8)*	96,955,673	21.05

Notes:

1. Win Win Fortune Limited is deemed to be interested in 34,482,758 Shares through its interest in the convertible bonds in the principal amount of HK$4,000,000 issued by the Company.

2. Mr. Cheung Pui Kay is the beneficial owner of 3,500,000 Shares. Adding the 25,862,068 Shares that he is deemed to be interested through his interest in the convertible bonds in the principal amount of HK$3,000,000 issued by the Company. He is interested in a total of 29,362,068 Shares.

3. Ms. Chan Mei Sau, Teresina is the holder of the convertible bonds with aggregate principal of HK$38,200,000 which can be converted into 338,087,773 Shares. Ms. Chan Mei Sau, Teresina is deemed to be interested in 338,087,773 Shares through her interest in the Company's convertible bonds.

4. Riche is deemed to be interested in 9,611,248,180 Shares pursuant to the conditional sale and purchase agreement dated 26 November 2008 entered into between Riche and the Group, details of which was announced by the Company on 8 December 2008 and which is yet to be completed as at the Latest Practicable Date. As Riche is wholly-owned by China Star Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange, China Star Investment Holdings Limited is deemed to be interested in such 9,611,248,180 Shares.

5. The Subscriber is deemed to be interested in 2,000,000,000 Shares pursuant to the conditional subscription agreement dated 26 November 2008 entered into between the Subscriber and the Company, details of which was announced by the Company on 8 December 2008 and which is yet to be completed.

6. CSE is deemed to be interested in 1,200,000,000 Shares pursuant to the conditional subscription agreement dated 26 November 2008 entered into between CSE and the Company, details of which was announced by the Company on 8 December 2008 and which is yet to be completed.

7. Ms. Chu Yuet Wah is the beneficial owner of 210,000 Shares, 13,124,608 Shares are held by Best China Limited which is wholly and beneficially owned by Ms. Chu Yuet Wah. Adding the 96,955,673 Shares that she is deemed to be interested through Kingston Securities as stated at note 8 below, Ms. Chu Yuet Wah is deemed to be interested in 110,290,281 Shares.

8. The Open Offer of 131,570,645 offer Shares at a price of HK$0.05 per offer Share on the basis of two offer Shares for every five existing Shares as detailed in the Company's circular dated 19 December 2008 was completed on 13 January 2009. Pursuant to the terms of the underwriting agreement dated 19 November 2008 of the Open Offer entered into between Kingston Securities and the Company, Kingston Securities had subscribed for the 96,955,673 under-subscribed Offer Shares. Ms. Chu Yuet Wah and Ms. Ma Siu Fong own 51% and 49% interest in Kingston Securities respectively.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company or under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register maintained by the Company pursuant to section 336 of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors has entered into any existing or proposed service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of any compensation other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates have any interests in any business which may compete with the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, save for disclosed below, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group or to which the Company or any of its subsidiaries was, or might become, a party.

A writ of summons and statement of claim was made by ICBC against the JV Company for a claim of approximately RMB1,197,000 (or approximately HK$1,197,000) over the non-repayment of a mortgage loan granted to a owner (the "Borrower") of an apartment unit in the Property. The Borrower purchased the apartment unit from the JV Company in 2001 and the legal title of the apartment unit has not yet been transferred from the JV Company to the Borrower. On 25 December 2006, the PRC court made a verdict that the JV Company was liable to pay RMB1,197,000 if the Borrower failed to pay RMB1,197,000 to ICBC. The JV Company has deposited with the PRC Court the relevant judgment sum for satisfying the ruling against it. PRC Court subsequently sold the apartment concerned by auction. The sale proceeds through the auction have been paid to ICBC for settlement of their judgment directly. The JV Company's PRC legal adviser is preparing the necessary documents to apply to the PRC Court for releasing the early payment deposited with the PRC Court back to the JV Company.

As at 30 September 2008, a writ of summons was filed by an owner of an apartment of the Property against the JV Company for property infringement claiming a compensation of RMB600,000 (or approximately HK$682,000). Subsequent to 30 September 2008, the Second Intermediate People Court of Beijing ruled to dismiss the claim.

The JV Company sued a buyer of an apartment of the Property named 張松一 (the "Defendant") for damages in the sum of RMB730,000 for breach of the sale and purchase agreement and a supplemental agreement in respect of the apartment which the Defendant contracted to purchase. The JV Company also sought a ruling that the relevant sale and purchase agreement and the supplemental agreement have been discharged and the delivery vacant possession of the relevant apartment back to the JV Company. The PRC Court ruled in the JV Company's favour on 20 December 2007. Subsequently the Defendant appealed to the appellate court in the PRC but the PRC appellate Court dismissed the appeal on 16 June 2008. The Defendant had further applied to the PRC Court for a retrial of the case but the application was dismissed by the PRC Court on 21 December 2008.

8. MATERIAL CONTRACTS

The following contracts were entered into by the Group (not being contracts entered into in the ordinary course of business) during the period of two years immediately preceding the date of this circular and are or may be material:

(a) the shareholding agreement dated 21 February 2007 entered into between Profit First Investments Limited, (a wholly-owned subsidiary of the Company), Zion Worldwide Limited, and LOC Limited in relation to the establishment of LOC Limited and the operation of the wholesale, design, sourcing, merchandise planning and marketing of lifestyle consumer products including but not limited to jewellery and accessories under the trademarks;

(b) the placing agreement and the subscription agreement dated 5 June 2007 entered into between the Company, the placing agent and First Vantage Limited, a substantial Shareholder, for placing of and subscription for 150,000,000 shares of HK$0.01 each at the placing price of HK$0.165 per share;

(c) the distribution agreement and the supplemental agreement dated 15 August 2007 and 24 August 2007 respectively entered into between the Company and CR Hong Kong Limited for granting of the exclusive rights to HK (Trading) to sell and market and distribute product, namely Cynthia Rowley, in Hong Kong in the amount of HK$450,000, HK$2,100,000 and HK$3,900,000 for three years;

(d) the acquisition agreement dated 8 November 2007 entered into between the Company, Mr. Claude Lalanne Costa and Credit Lyonnais Capital Investissement, Credit Lyonnais Developpement 2, Mr Pierre Hemar, Lion Capital Investissement, Nollius BV and Quilvest France to acquire 96.57% of the issue share capital of Financière Solola and its subsidiaries for an initial consideration of approximately HK$92,381,659;

(e) the underwriting agreement dated 4 February 2008 entered into between the Company, Chung Chiu Limited, Grand Ming Securities Limited and CIMB-GK Securities (HK) Limited in relation to the proposed issue of rights shares by the Company on the basis of four rights shares for every five existing shares of HK$0.01 each held on 12 March 2008. Such agreement was terminated in accordance with its terms on 27 March 2008;

(f) the subscription agreement dated 18 February 2008 entered into between the Company and Chung Chiu Limited for the subscription of the convertible bonds in the principal amount of HK$40,000,000 to be issued by the Company for a term of three years with a coupon rate of 2% per annum;

(g) the subscription agreement dated 30 May 2008 entered into between the Company and Far East Holdings International Limited for the subscription of the convertible bonds in the principal amount of HK$7,000,000 to be issued by the Company for a term of three years with a coupon rate of 2% per annum;

(h) the placing agreement dated 19 November 2008 entered into between the Company and the Kingston Securities for the placing of 53,000,000 new Shares, on fully underwritten basis, at an issue price of HK$0.075 per new Share;

(i) the underwriting agreement dated 19 November 2008 entered into between Kingston Securities and the Company in relation to the proposed issue of the 131,570,645 offer Shares by way of the Open Offer at an offer price of HK$0.05;

(j) the CSE Subscription Agreement;

(k) the Subscription Agreement;

(l) the supplemental agreement dated 27 November 2008 entered into between Kingston Securities and the Company in relation to the amendments to the underwriting agreement dated 19 November 2008; and

(m) the Sale and Purchase Agreement.

9. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the businesses of the Group.

None of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2007, being the date to which the latest published audited consolidated accounts of the Group were made up.

10. EXPERT AND CONSENT

The following are the qualifications of the experts who have given their opinions and advice
which are included in this circular:

Name	Qualifications
Grand Cathay	a licensed corporation permitted to engage in type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Grant Sherman Appraisal Limited	independent property valuer
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants

1. As at the Latest Practicable Date, Grand Cathay, Grant Sherman Appraisal Limited and HLB Hodgson Impey Cheng did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

2. As at the Latest Practicable Date, Grand Cathay, Grant Sherman Appraisal Limited and HLB Hodgson Impey Cheng have given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

3. As at the Latest Practicable Date, Grand Cathay, Grant Sherman Appraisal Limited and HLB Hodgson Impey Cheng did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

11. CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business	Unit 1611, 16/F. Shun Tak Centre, West Tower 168-200 Connaught Road Central Hong Kong
Authorised representatives	Lee Chan Wah Unit 1611, 16/F. Shun Tak Centre, West Tower 168-200 Connaught Road Central Hong Kong
Compliance officer	Gouw San Bo, Elizabeth Unit 1611, 16/F. Shun Tak Centre, West Tower 168-200 Connaught Road Central Hong Kong
Company secretary	Lee Chan Wah Unit 1611, 16/F. Shun Tak Centre, West Tower 168-200 Connaught Road Central Hong Kong

Auditors	Vision A. S. Limited Room A, 15/F Fortis Tower 77-79 Gloucester Road Wanchai Hong Kong
Legal adviser to the Company	*As to Hong Kong Law:* Michael Li & Co. 14/F Printing House 6 Duddell Street, Central Hong Kong
Principal banker	The Hongkong and Shanghai Banking Corporation Limited Industrial and Commercial Bank Of China (Asia) Limited Dah Sing Bank Limited Shanghai Commercial Bank Limited
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

12. DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Gouw San Bo, Elizabeth

Ms. Gouw, aged 36, was appointed as an executive Director in 2007 and has been chief executive officer of the Group since 2006. She is currently responsible for the overall strategy and business development of the Group. Ms. Gouw is the founder of Golife (Hong Kong) Limited and has been serving as managing director since 2001. She is a Chartered Financial Analyst and previously held the position of fund manager for an asset management company based in the United Kingdom. She also served as a research analyst for a major European securities firm. Ms. Gouw holds a master's degree in accounting and finance from the London School of Economics and Political Science.

Lai Hok Lim

Mr. Lai, aged 49, is a practicing solicitor in Hong Kong since 1989. He graduated from the University of Hong Kong with a bachelor of arts degree and holds a bachelor of arts (law) degree from the University of Sussex in the United Kingdom and a bachelor of law degree from Beijing University in the PRC. Mr. Lai was an independent non-executive director of Brilliant Arts Multi-Media Holding Limited, a company listed on GEM, from July 2007 to November 2008.

Lee Chan Wah

Mr. Lee, aged 40, has over 16 years experience in auditing and accounting areas. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee was an executive director of Global Solution Engineering Limited, a company listed on GEM, from December 2005 to September 2007.

Non-executive Director

Chiu Duncan

Mr. Chiu, aged 33, has been a non-executive Director since 2006. Mr. Chiu currently serves as vice chairman and treasurer of The Chamber of Hong Kong Listed Companies, vice president of Innovation & Technology Association and is a committee member of the All-China Youth Federation. Mr. Chiu also serves as the managing director and chief executive officer of Far East Holdings Limited, and as a non-executive director of both Far East Hotels & Entertainment Limited and Chinasoft International Limited, all listed on the Stock Exchange. Mr. Chiu graduated with a bachelor's degree in business administration from Pepperdine University of California in 1996.

Independent non-executive Directors

Yip Tai Him

Mr. Yip, aged 38, has over 16 years experience in auditing, accounting and corporate finance areas. He is the members of the Institute of Chartered Accountants in England and Wales, Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

Law Yiu Sang, Jacky

Mr. Law, aged 44, holds a bachelor of laws degree from Manchester Metrolitian University. He is a member of the Hong Kong Institute of Arbitrators. From 2006 to 2007, Mr. Law was a member of The Chartered Institute of Arbitrator. Mr. Law has previously worked in a number of different law firms and has over 18 years experience in assisting in management and legal documentation.

Chio Chong Meng

Ms. Chio, aged 39, holds a bachelor of arts degree from York University in Canada. She has worked with a reputable hotel chain in Macau for a number of years and acquired extensive hotel management experience in the area of sales, finance and business support. She is now the general manager of a hotel in Macau.

Senior management

Head — corporate planning and administration

Gouw Kar Yiu, Carl

Mr. Gouw, aged 30, has been the Group's Head of Corporate Planning & Administration since 2007 and has been a director of Golife (Hong Kong) Limited, a wholly-owned subsidiary of the Group, since 2002. Mr Gouw is responsible for the overall strategic planning of the Group, including finance, corporate finance as well as corporate communications. Previously, Mr Gouw served as chairman and chief executive officer of an investment corporation listed on the Main Board of the Stock Exchange. He holds a bachelor of science degree in management sciences from the London School of Economics and Political Science. He is also a director of the Young Entrepreneurs' Organization — Hong Kong Chapter Limited and a director of Hong Kong Ambassadors of Design Limited.

Financial controller

Tsang Yin Chiu, Stanley

Mr. Tsang, aged 33, is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Chartered Financial Analyst. Mr. Tsang holds a bachelor's degree in business administration and has over 11 years of experience in accounting, financial management and auditing. Prior to joining the Company, Mr. Tsang was a manager of a company listed on the Main Board of the Stock Exchange.

13. AUDIT COMMITTEE

The Company established an audit committee, comprising of all independent non-executive Directors, namely Mr. Yip Tai Him, Mr. Law Yiu Sang, Jack and Ms. Chio Chong Meng, with written terms of reference in compliance with the GEM Listing Rules. Rule 5.28 of the GEM Rules requires that the audit committee must comprise a minimum of three members with a majority of independent non-executive Directors and at least one member must have appropriate professional qualifications or accounting or related financial management expertise. The main duties of the audit committee include the followings:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors before submission to the board;

(b) to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The audit committee held four meetings during the year ended 31 December 2007, to review the financial results and reports, financial reporting and compliance procedures, report on the company's internal control and risk management review and processes as well as the re-appointment of the external auditors.

There is no material uncertainty relating to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2007, has been reviewed by the audit committee.

Biographical details of the members of audit committee of the Company

Mr. Yip Tai Him

Mr. Yip, aged 38, has over 15 years of experience in auditing, accounting and corporate finance. He is a member of the Institute of Chartered Accountants in England and Wales, and Hong Kong Institute of Certified Public Accountants. Mr. Yip is experienced with internal controls and is well versed with the skills and techniques in preparing, auditing, reviewing and analysing comparable and complicated financial statements. Mr. Yip is currently: (i) an independent non-executive director of Wing Lee Holdings Limited (stock code: 876), a company which is listed on the Main Board of the Stock Exchange, since February 2001; (ii) an independent non-executive director of China Cyber Port (International) Company Limited (stock code: 8206), a company which is listed on GEM, since October 2002; (iii) an independent non-executive director of Global Solution Engineering Limited (stock code: 8192), a company which is listed on GEM, since March 2008; and (iv) an independent non-executive director of Vinco Financial Group Limited (stock code: 8340), a company which is listed on GEM, since May 2008. Mr. Yip was: (i) an executive director of Brilliant Arts Multi-Media Holding Limited (stock code: 8130), a company which is listed on GEM, from July 2007 to August 2008; and (ii) an independent non-executive director of S&D International Development Group Limited (stock code: 8148), a company which is listed on GEM, from March 2007 to July 2008.

Mr. Law Yiu Sang, Jacky

Mr. Law, aged 44, holds a bachelor of laws degree from Manchester Metropolitan University. He is a member of the Hong Kong Institute of Arbitrators. From 2006 to 2007, Mr. Law was a member of The Chartered Institute of Arbitrator. Mr. Law has previously worked in a number of different law firms and has over 18 years experience in assisting in management and legal documentation.

Ms. Chio Chong Meng

Ms. Chio, aged 39, holds a bachelor of arts degree from York University in Canada. She has worked with a reputable hotel chain in Macau for a number of years and acquired extensive hotel management experience in the area of sales, finance and business support. She is now the general manager of a hotel in Macau.

14. GENERAL

The English text of this circular and the accompanying form of proxy shall prevail over their recpective Chinese texts in the case of inconsistency.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours from the date of this circular up to the date of the EGM.

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the nine months ended 31 December 2006 and the year ended 31 December 2007;

(c) the unaudited third quarterly report 2008 of the Company for the nine months ended 30 September 2008;

(d) the letter from Grand Cathay as set out in letter from Independent Financial Adviser to this circular;

(e) the accountants' reports on the Shinhan-Golden Group and the World East Group from HLB Hodgson Impey Cheng, the texts of which are set out in appendix III and appendix V to this circular respectively;

(f) the letter from HLB Hodgson Impey Cheng on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in appendix VII to this circular;

(g) the valuation report from Grant Sherman Appraisal Limited, the text of which is set out in appendix VIII to this circular;

(h) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(i) the written consent referred to in the paragraph headed "Expert and consent" in this appendix;

(j) a copy of each of the circulars issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 December 2007, the date of the latest published audited consolidated financial statements of the Group were made up;

(k) the service contract referred to in paragraph headed "Directors' service contracts" in this appendix; and

(l) this circular.

Golife Concepts Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8172)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Golife Concepts Holdings Limited (the "**Company**") will be held at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 16 February 2009, at 4:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 26 November 2008 and entered into among Mega Shell Services Limited ("**Mega Shell**"), a wholly-owned subsidiary of the Company, as purchaser, Riche (BVI) Limited ("**Riche**") as vendor and the Company as guarantor in relation to the sale and purchase of 9,500,000 ordinary shares of US$1.00 each in the share capital of Shinhan-Golden Faith International Development Limited ("**Shinhan-Golden**"), representing the entire issued share capital of Shinhan-Golden and all obligations, liabilities and debts owing and incurring by Shinhan-Golden to Riche on or at any time prior to the date of completion of the Sale and Purchase Agreement (the "**Acquisition Completion**") and the sale and purchase of 1 ordinary share of US$1.00 in the share capital of World East Investments Limited ("**World East**"), representing the entire issued share capital of World East and all obligations, liabilities and debts owing and incurring by World East to Riche on or at any time prior to the Acquisition Completion at an aggregate consideration of HK$211,466,310 (a copy of which has been produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all other acts and things and execute all documents which he/they consider necessary or expedient for the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder;

(c) the issue of a convertible bond (the "**CS Convertible Bond**") in the principal amount of HK$100,000,000 by the Company in accordance with the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder be and is hereby approved;

(d) any one or more of the Directors be and is/are hereby authorised to take all steps necessary or expedient in his/their opinion to implement and/or give effect to the issue of the CS Convertible Bond including but not limited to the allotment and issue of ordinary shares (the "**Shares**") of HK$0.05 each in the share capital of the Company of which may fall to be issued upon the exercise of the conversion rights attached to the CS Convertible Bond;

(e) the allotment and issue of an aggregate of 117,691,940 Shares (the "**CS Consideration Shares**" and each a "**CS Consideration Share**") credited as fully paid at an issue price of HK$0.05 per CS Consideration Share to Riche pursuant to the Sale and Purchase Agreement be and is hereby approved;

(f) any one or more of the Directors be and is/are hereby authorised to allot and issue the CS Consideration Shares in accordance with the terms of the Sale and Purchase Agreement and to take all steps necessary or expedient in its opinion to implement and/or give effect to the allotment and issue of the CS Consideration Shares;

(g) the issue of a promissory note (the "**Promissory Note**") in the principal amount of HK$100,000,000 by the Company in accordance with the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder be and is hereby approved; and

(h) any one or more of the Directors be and is/are hereby authorised to take all steps necessary or expedient in his/their opinion to implement and/or give effect to the issue of the Promissory Note."

2. “**THAT**

(a) the issue of a convertible bond (the “**Settlement Convertible Bond**”) in a maximum principal amount up to HK$374,677,812 by the Company in accordance with the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder be and is hereby approved; and

(b) any one or more of the Directors be and is/are hereby authorised to take all steps necessary or expedient in his/their opinion to implement and/or give effect to the issue of the Settlement Convertible Bond including but not limited to the allotment and issue of Shares of which may fall to be issued upon the exercise of the conversion rights attached to the Settlement Convertible Bond.”

3. “**THAT**

(a) the corporate guarantee (the “**CJV Partner’s Corporate Guarantee**”) to be executed by the Company in favour of Riche upon Acquisition Completion for a term of maximum of three financial years of the Company ending 31 December 2011 in respect of the debt owed by上海昇平文化發展有限公司 (the “**CJV Partner**”) to Riche in accordance with the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder be and is hereby approved;

(b) the annual caps (the “**Annual Caps**”) of the CJV Partner’s Corporate Guarantee of HK$374,677,812 for each of the three financial years of the Company ending 31 December 2011 respectively be and are hereby approved, and

(c) any one or more of the Directors be and is/are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and the giving effect to the CJV Partner’s Corporate Guarantee and the transactions contemplated thereunder.”

By Order of the Board
Golife Concepts Holdings Limited
Gouw San Bo, Elizabeth
Chief Executive Officer and Executive Director

Hong Kong, 23 January 2009

Registered office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Registered office and principal place of business in Hong Kong:
Unit 1611, 16/F.
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy can vote on a poll. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the office of the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.

SUPPLEMENTAL INFORMATION

Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the circular of Golife Concepts Holdings Limited dated 23 January 2009 (the "Circular").

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP (Additional information to page 34 to the Circular)

On 19 January 2009, Amazing Goal International Limited (the "**Amazing Goal**"), a wholly-owned subsidiary of the Company, entered into a subscription agreement, pursuant to which Amazing Goal has conditionally agreed to allot and issue and the subscriber has conditionally agreed to subscribe (the "**Second Subscription**") the 50 shares (the "**Subscription Shares**") of Amazing Goal. The Subscription Shares represent the 50% of the entire issued share capital of Amazing Goal as enlarged by the allotment and issue of the Subscription Shares. Amazing Goal is principally engaged in investment holding and its subsidiaries are principally engaged in distribution of high-end apparel and accessories. Further announcement will be made by the Company in this regard.

Save for the Acquisition, the principally activities of the Group will remain unchanged upon completion of the Second Subscription. Through the Second Subscription, the Company intends to restructure the loss-making operations of the Group and reallocate the resources of the Group on other business operations of the Group.

Upon completion of the Second Subscription, Amazing Goal will become a jointly controlled entity of the Company. The Company's interest in Amazing Goal is accounted for by proportionate consolidation under HKAS 31 "Interests in Joint Ventures". Taking into account the Second Subscription and the Acquisition, the Board is of the view that the Company can maintain a sufficient level of operations or tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Stock Exchange to warrant the continued listing of the securities of the Company pursuant to Rule 17.26 of the GEM Listing Rules.

MATERIAL CONTRACTS (Additional information to page 260 to the Circular)

(n) the subscription agreement dated 19 January 2009 entered into between Amazing Goal and the subscriber in relation to the Second Subscription.