GoLife Concepts
Holdings Limited *Formerly known as Satellite Devices Corporation*

Stock code : 8172

Annual Report 2006

www.golife.com.hk

Incorporated in the Cayman Islands with limited liability
Listed on the Stock Exchange of Hong Kong

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange")_

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investor should be aware of the potential risk 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This annual report, for which the directors of Golife Concepts Holdings Limited (the "Directors") collectively and individually accept responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information which regard to Golife Concepts Holdings Limited. The directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief:– (1) the information contained in this annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Executive Directors

LO Mun Lam, Raymond
LEUNG Tak Wah
YU Wai Yin, Vicky

Non-Executive Directors

Richard YEN
Duncan CHIU

Independent Non-Executive Directors

LUM Pak Sum
SUM Chun Ho
WAN Kwok Pan

Company Secretary

LEUNG Tak Wah, *FCPA, FCCA, ACS*

Qualified Accountant

LEUNG Tak Wah, *FCPA, FCCA, ACS*

Compliance Officer

LEUNG Tak Wah, *FCPA, FCCA, ACS*

Auditors

Cheung & Siu
Certified Public Accountants (Practising)

Authorized Representatives

LO Mun Lam, Raymond
LEUNG Tak Wah

Legal Advisors

Coudert Brothers
Or, Ng & Chan

Audit Committee

LUM Pak Sum
(Chairman of the Audit Committee)
SUM Chun Ho
Wan Kwok Pan

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank Of China (Asia) Limited
Dah Sing Bank Limited
Shanghai Commercial Bank Limited

Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

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

Suite 14A, 14/F
Shun Ho Tower
24-30 Ice House Street
Central
Hong Kong

Corporate Website

http://www.golife.com.hk

Financial Highlights

	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000	Change %
Revenue			
Turnover	**18,885**	1,359	1,290
Profitability			
Gross profit	**11,500**	839	1,271
Profit/(Loss) before tax	**1,824**	(17,726)	110
Profit/(Loss) attributable to shareholders	**1,148**	(17,726)	106
Net worth			
Shareholders' fund/(deficits)	**31,548**	(5,826)	642
Per share			
Profit/(Loss) per share	**0.32 cents**	(14.49) cents	102
Net assets/(liabilities) per share	**8.73 cents**	(4.42) cents	298

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 brand-raising" 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.

Profiles of Directors and Senior Management

Chairman & Executive Director

LO Mun Lam, Raymond

Aged 54, Mr. Lo has been an Executive Director of the Group since 2005 and as Chairman since 2006.

Mr. Lo has over 26 years of management experience, including finance, manufacturing and distribution, hospitality, real estate and direct investments. He is a fellow member of the Institute of Chartered Accountants in England & Wales; a member of the Institute of Chartered Accountants of Ontario, Canada; a member of the Hotel & Catering International Management Association of the United Kingdom and a Counselor of Real Estate of the United States of America and a fellow member of the Royal Institution of Chartered Surveyors.

Executive Director, Financial Controller and Company Secretary

LEUNG Tak Wah

Aged 44, Mr Leung has been an Executive Director, Financial Controller and Company Secretary of the Group since 2003. He is primarily responsible for the administration, financial management and accounting operations of the Group.

Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants and a certified member of the Institute of Certified Management Accountants. He has over 15 years of experience in finance and accounting.

Mr. Leung graduated from the Hong Kong Shue Yan College in 1986. He also holds a master's degree in Professional Accounting degree from The University of Hong Kong in 1999.

Executive Director

YU Wai Yin, Vicky

Aged 28, Ms. Yu was appointed as an Executive Director of the Group since 2005, and will be re-designated as a Non-Executive Director since 2007.

Ms. Yu has over 8 years of experience in sales and merchandising in the textiles trading and fashion retailing sectors.

Profiles of Directors and Senior Management

Non-executive Directors

CHIU Duncan

Aged 32, Mr. Chiu has been a Non-Executive Director of the Group 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 of which are listed on The Stock Exchange of Hong Kong Limited.

Mr. Chiu graduated with a bachelor's degree in Business Administration from Pepperdine University of California in 1996.

YEN Richard

Aged 38, Mr. Yen has been a Non-Executive Director of the Group since 2006.

Mr. Yen has over 15 years of partnership, merger and acquisition experience in the region, working mostly with Japanese conglomerates and Fortune 500 companies. He also possesses extensive knowledge of intellectual property, marketing and product development; devising strategies with relation to information technology and consumer goods.

Mr. Yen holds a bachelor's degree in aerospace engineering and an MBA in International Management from Boston University.

Independent non-executive Directors

LUM Pak Sum

Aged 46, Mr Lum has been an Independent Non-Executive Director of the Group since 2005.

Mr. Lum is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 18 years of experience corporate finance.

Mr. Lum holds a master's degree in Business Administration degree from the University of Warwick and a bachelor of laws degree (Honors) from the University of Wolverhampton.

Profiles of Directors and Senior Management

SUM Chun Ho

Aged 35, Mr. Sum has been an Independent Non-Executive Director of the Group since 2005.

He is currently the sole proprietor of Messrs. C.H. Sum & Co., Certified Public Accountants (Practicing). Mr. Sum has over 10 years of experience in the professional accounting services field.

Mr. Sum holds a master's degree in accounting from Monash University. He is also a member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

WAN Kwok Pan

Aged 36, Mr. Wan has been an Independent Non-Executive Director of the Group since 2006.

Mr. Wan has over 10 years of experience in the Electronics Services field. He holds a MBA degree from The University of Hong Kong.

Senior Management

Chief Executive Officer

GOUW San Bo, Elizabeth

Aged 36, Ms. Gouw was appointed Chief Executive Officer of the Group in 2006 after proceedings for acquiring Golife (Hong Kong) Limited were concluded. 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 was 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.

Head of Marketing

WOO GOUW Soan Bo, Esther

Aged 33, Mrs. Woo Gouw has been the Head of Marketing of the Group since 2006 and is responsible for overall marketing functions.

Mrs. Woo Gouw has been the Marketing Manager of Golife (Hong Kong) Limited since 2004. Previously, she was the Marketing Manager of a major property investment company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mrs. Woo Gouw holds a bachelor's degree in Economics from the University College London.

Profiles of Directors and Senior Management

Operations Manager

WONG Ching Yee, Alice

Aged 31, Ms. Wong has been an Operations Manager of the Group since 2006. She is responsible for overall operations including the retail network.

Ms. Wong previously held senior operational positions for companies involved in the lifestyle-products distribution industries, including a US-listed company. She has 10 years of experience in the apparel, cosmetics and jewelry sectors.

Corporate Governance Report

The Board of Directors ("Board") is pleased to present this Corporate Governance Report in the Group's annual report for the period ended 31 December 2006.

In November 2004, The Stock Exchange of Hong Kong Limited ("Stock Exchange") issued the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the Rules governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Rules") which sets out corporate governance principles ("Principles") and code provisions ("Code Provisions") with which listed issuers are expected to follow and comply.

The Company has applied the Principles as set out in the CG Code that are considered to be relevant to the Company and has complied with most of the Code Provisions set out in the CG Code save for certain deviations, details of which will be explained in the relevant paragraphs in this report.

Good corporate governance has always been recognized as vital to the Group's success and to sustain development of the Group. The Company acknowledge the important role of its Board in providing effective leadership and direction to company business, and ensuring transparency and accountability of company operations. The Company also endeavors to periodically review its corporate governance practices to ensure that these and these continue to meet the requirements of the CG Code.

The key corporate governance principles and practices of the Company are summarized as follows:

The Board

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transaction, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

Corporate Governance Report

Composition

The Board currently comprises eight Directors: three executive Directors, two non-executive Directors and three independent non-executive Directors that are more than one-third of the Board. Biographical details of the Chairman and other Directors are set out in the section of "Profiles of Directors and Senior Management on pages 8 to 11.

The Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. All the Directors give sufficient time and attention to the Company's affairs. The Board believes that the ratio of executive to non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interest of the shareholders and the Company as a whole.

As at 31 December 2006, the Board comprised eight Directors, including three executive Directors, namely Mr. Lo Mun Lam, Raymond, Mr. Leung Tak Wah and Ms. Yu Wai Yin, two non-executive Directors, namely Richard Yen, and Duncan Chiu, and three independent non-executive Directors, Lum Pak Sum, Sum Chun Ho, and Wan Kwok Pan. Mr. Lo Mun Lam is the Chairman of the Board. Two of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise.

In accordance with the Company's Articles of Association, newly appointed Directors are required to offer themselves for re-election at the first annual general meeting following their appointment.

The Board as a whole is responsible for the appointment of new Directors and Directors nomination for re-election by shareholders at the annual general meeting of the Company. Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a vacancy or as an addition to the Board. Any such new Director shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the same annual general meeting.

Independence

The Company has three independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. The Company considers these directors to be independent under the guidelines set out in Rules 5.09 of the GEM Listing Rules.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Lo Mun Lam, Raymond and the Company's Chief Executive Officer is Ms. Elizabeth Gouw San Bo. The roles of the Chairman and the Chief Executive Officer are distinct and segregated with a clear division of responsibility. The Chairman plays a leading role and is responsible for effective running of the Board while the Chief Executive Officer is delegated with the authority and responsibility of overall management, business development and implementation of the Group's strategy determined by the Board in achieving its overall commercial objectives.

Corporate Governance Report

Non-executive Directors

Under the Code provision A.4.1., all the non-executive directors should be appointed for a specific term, subject to re-election. At present, the non-executive Directors are not appointed for a specific term because the Board wants to review their terms until the annual results 2006 comes out, but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

Board Meetings

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. At least 7 business days' notice of regular Board meeting are given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Apart from regular meeting, Senior management from time to time provides to the Director Information on actives and development of the businesses of the Group. The company secretary takes detailed minutes of the meetings and keeps records of matters discussed and decision resolved at the meetings.

During the period ended 31 December 2006, 12 meetings were held. Details of the attendance of the Directors at the meetings of the Board and its respective Committees are as follows:

Name of Director	Board Meeting Attended/Held	Audit Committee Attended/Held	Remuneration Committee Attended/Held
Executive Directors			
Mr. Lo Mun Lam	12/12	N/A	0/0
Mr. Leung Tak Wah	12/12	N/A	N/A
Ms. Yu Wai Yin	9/12	N/A	N/A
Non-executive Directors			
Mr. Richard Yen	3/4	N/A	N/A
Mr. Duncan Chiu	4/4	N/A	N/A
Independent non-executive Directors			
Mr. Lum Pak Sum	12/12	3/3	0/0
Mr. Sum Chun Ho	10/12	3/3	0/0
Mr. Wan Kwok Pan	11/12	3/3	0/0

Remuneration Committee

A remuneration committee was only formed in August 2006 with specific written terms of reference which deal clearly with its authority and duties in accordance with the requirements of the new Code. The remuneration committee is responsible for reviewing and developing the remuneration polices of the Directors and senior management. The remuneration committee consists of all three Independent non-executive Directors and an executive Director, namely Mr. Lum Pak Sum, Mr. Sum Chun Ho, Mr. Wan Kwok Pan and Mr. Lo Mun Lam, Raymond.

During the period under review, no meeting was held by the remuneration committee to consider and approve the terms of Directors and senior management.

Nomination Committee

The Company does not establish a nomination committee at present. The appointment of new Director(s) is therefore a matter for consideration and decision by the Board. In considering the nomination of a new Director or where vacancies on the Board exist, the Board will take into account the skills, qualification, working experience, professional knowledge, leadership and personal integrity of the candidates.

Auditors' Remuneration

For the period ended 31 December 2006, the remuneration in respect of audit services provided by the auditors, Cheung & Siu, amounted to HK$295,000.00.

Audit Committee

The Company established an audit committee 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.

(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 three meetings during the period ended 31 December 2006, 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.

Corporate Governance Report

The Company's annual results for the period ended 31 December 2006, has been reviewed by the audit committee.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in rules 5.48 to 5.67 to the GEM Listing Rules as its own code of conduct for dealings in securities of the Company by Directors (the "Code"). The Company, having made specific enquiry of all Directors, confirms that its Directors have complied with the required standard set out in the Code during the financial year ended 31 December 2006.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

Internal Controls

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

Shareholder Rights

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meeting are contained in the Company's articles of association. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of 2006 annual general meeting and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairperson of the Board and the Chairman of the audit committee attended the 2006 annual general meeting to answer questions at the meeting.

Separate resolutions were proposed at 2006 annual general meeting on each substantial issue, including the election of individual directors.

Conclusion

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The Management will devote considerate effort to strengthen and improve the standards of the corporate governance of the Group.

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited accounts for the period ended 31 December 2006.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The principal activities of the Group are distribution and brand management engaged in the franchised sales of (i) London-based Anya Hindmarch, a brand offering chic designer ladies' handbag, leather accessories, luggage, shoes and apparel and (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 and provide design, development and sales of location-based technology devices and applications.

Change of accounting year ended date

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.

Results and appropriations

The results of the Group for period are set out in the consolidated income statement on page 26.

The directors do not recommend the payment of any dividend for the period.

Reserves

Details of the movement in the reserves of the Group and the Company during the period are set out in the consolidated statement of changes in equity on page 29 and note 31 to the financial statements respectively.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the period are set out in note 15 to the financial statements.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2006 are set out in note 18 to the financial statements.

Distributable reserves

Under section 34 of the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debt as they fall due in the ordinary course of business.

Report of the Directors

Financial Summary

The summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 78.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

Directors' service contracts

None of the directors being proposed for re-election at the forthcoming annual general meeting has a services contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interest in contracts

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period.

Directors' Benefits from rights to acquire shares or debentures

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, invite any employees, directors of the Company and/or any of its subsidiaries, any adviser or consultant, distributors, suppliers, agents, customers, partners, joint venture partners, promoter and service providers to the Group to subscribe for ordinary share of HK$0.01 each in the Company. The maximum number of share 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 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 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.

As at 31 December 2006, no option has been granted or agreed to be granted by the Company under the Scheme.

Saved as disclosed above, at no time during the period was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under 18 years of age had any right to subscribe for the shares of the Company, or had exercised any such right.

Disclosure of Director's and Chief Executive's Interest

As at 31 December 2006, 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 Securities and Futures Ordinance (Cap. 571) ("SFO")) which were notified to the Company and the 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 Exchange pursuant to Rules 5.46 of the Gem Listing Rules, were as follows:–

(a) Interests in underlying shares of the Company

Name of Director	Number of underlying shares interested or deemed to be interested	Approximate percentage of the Company's issued share capital (%)
Richard YEN (Note 1)	60,000,000(L)	11.38(L)

Save as disclosed above, as at 31 December 2006, 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 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 Exchange pursuant to Rules 5.46 of the Gem Listing Rules.

Substantial Shareholders

As at 31 December 2006, 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 5% 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, were as follows:–

(a) Long position in shares and/or underlying shares of the Company

Name of Shareholder	Number of shares/ underlying shares interested or deemed to be interested	Approximate percentage of the Company's issued share capital (%)
GOUW Hiap Kian (Note 2)	331,200,000(L)	62.87(L)
NG Choy Yue Mary (Note 2)	331,200,000(L)	62.87(L)
First Vantage Limited (Note 3)	315,900,000(L)	59.97(L)
Chung Chiu Limited (Note 3)	315,900,000(L)	59.97(L)
HSBC International Trustee Limited (Note 3)	315,900,000(L)	59.96(L)
Far East Technology International Limited (currently known as Far East Holdings International Limited) (Note 4)	137,223,600(L)	26.05(L)
Galaxy China Opportunities Fund	124,800,000(L)	23.69(L)
HO Yau Lung Lawrence (Note 5)	108,000,000(L)	20.50(L)
LO Sau Yan Sharen (Note 5)	108,000,000(L)	20.50(L)
Melco Financial Group Limited (Note 5)	108,000,000(L)	20.50(L)
Melco International Development Limited (Note 5)	108,000,000(L)	20.50(L)
Value Convergence Holdings Limited (Note 5)	108,000,000(L)	20.50(L)
VC Brokerage Limited (Note 5)	108,000,000(L)	20.50(L)
VC Financial Group Limited (Note 5)	108,000,000(L)	20.50(L)
Deutsche Bank Aktiengesellschaft (Note 6)	102,840,000(L)	19.52(L)
Neowin Ltd (Note 1)	60,000,000(L)	11.38(L)
HO Hsin Yi (Note 1)	60,000,000(L)	11.38(L)
Axix Capital Limited	50,600,000(L)	9.60(L)
LAU Wai Wan Vivian	34,000,000(L)	6.45(L)
CHUNG Oi Ling Stella	31,000,000(L)	5.88(L)
CHU Yuet Wah	19,378,800(L)	3.68(L)
Kingston Finance Limited	19,378,800(L)	3.68(L)
MA Siu Fong	19,378,800(L)	3.68(L)

Report of the Directors

Notes:

1. Mr. Richard YEN, a non-executive director of the Company, is taken to be interested in 60,000,000 underlying shares in the Company (representing approximately 11.38% of the issued share capital of the Company) within the meaning of Part XV of the SFO through the purchase of convertible notes of the Company in the principal amount of HK$6,000,000 (under which the conversion price for each share is HK$0.1) on 21 August 2006 by one Neowin Ltd, a company incorporated in British Virgin Islands and is wholly owned by Mr. Richard YEN. Ms. HO Hsin Yi, the spouse of Mr. Richard YEN, is deemed to be interested in the 60,000,000 underlying shares in the Company for the purpose of Part XV of the SFO.

2. GOUW Hiap Kian is the beneficial owner of another 15,300,000 shares of the Company. Adding the 315,900,000 shares he is deemed to be interested in through First Vantage Limited, he is interested in a total of 331,200,000 shares of the Company. Being the spouse of GOUW Hiap Kian, NG Choy Yue Mary is deemed to be interested in the 331,200,000 shares of the Company pursuant to the SFO.

3. First Vantage Limited is a wholly owned subsidiary of Chung Chiu Limited, which in turn is wholly owned by a discretionary trust. The founder of the discretionary trust is GOUW Hiap Kian, and the trustee of the discretionary trust is HSBC International Trustee Limited. In these circumstances, under the SFO, Chung Chiu Limited, GOUW Hiap Kian and HSBC International Trustee Limited are deemed to be interested in the 315,900,000 underlying shares of the Company held by First Vantage Limited.

4. Far East Technology International Limited is interested in an aggregate of 137,223,600 shares comprising of 54,223,600 shares and 83,000,000 underlying shares in the Company.

5. VC Brokerage Limited, a wholly owned subsidiary of Value Convergence Holdings Limited, is the beneficial owner of 108,000,000 shares of the Company. VC Brokerage Limited is also a controlled corporation of VC Financial Group Limited and HO Yau Lung Lawrence. Melco Financial Group Limited, a wholly owned subsidiary of Melco International Development Limited, is in turn holding 63.66% of the shares of Value Convergence Holdings Limited. Therefore, Value Convergence Holdings Limited, VC Financial Group Limited, and HO Yau Lung Lawrence, Melco Financial Group Limited and Melco International Development Limited are each deemed to have interests in the 108,000,000 shares of the Company pursuant to the SFO. Further, being the spouse of HO Yau Lung Lawrence, LO Sau Yan Sharen is also deemed to have interests in the 108,000,000 shares of the Company pursuant to the SFO.

6. Deutsche Bank Aktiengesellschaft is having security interests in the 102,840,000 shares of the Company.

Save as disclosed above, as at 31 December 2006, the Directors are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company 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 5% 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.

Major customers and suppliers

The percentage of sales and purchases for the period attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	N/A
– five largest customers combined	N/A
Purchases	
– the largest supplier	77%
– five largest supplier combine	100%

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

Post Balance Sheet Events

Details of post balance sheets events are set out on page 76 to the financial statements.

Competing Interests

None of the directors, initial management shareholders and their respective associates of the Company has an interest in a business which competes or may compete with the business of the Group.

Management Contracts

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

Board practices and procedures

The company has complied with board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the period ended 31 December 2006.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Article of Association, although there are no restrictions against such rights under the laws in the Cayman Islands.

Retirement Scheme

Details of the retirement scheme are set out in note 10 to the financial statement.

Auditors

PricewaterhouseCoopers resigned as joint auditors of the Company on 21 May 2003. Graham H.Y. Chan & Co. remained as the Company's auditors from that date and resigned on 11 January 2007.

The accounts has been audited by Cheung & Siu who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LEUNG Tak Wah
Executive Director

Hong Kong 28 March 2007

Independent Auditor's Report

Cheung & Siu **Certified Public Accountants**
張、蕭會計師事務所

Room A,15th Floor
Fortis Bank Tower
77-79 Gloucester Road
Wanchai
Hong Kong

To the members of
GOLIFE CONCEPTS HOLDINGS LIMITED
(formerly known as "Satellite Devices Corporation")
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Golife Concepts Holdings Limited (the "Company") set out on pages 26 to 77, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the period from 1 April 2006 to 31 December 2006, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

Independent Auditor's Report

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the period from 1 April 2006 to 31 December 2006 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Cheung & Siu
Certified Public Accountants (Practising)
Hong Kong, 28 March 2007

Consolidated Income Statement

Period from 1 April 2006 to 31 December 2006

	Notes	**Period from 1/4/2006 to 31/12/2006 HK$'000**	Year ended 31/3/2006 HK$'000
Turnover	7	**18,885**	1,359
Cost of sales		**(7,385)**	(520)
Gross profit		**11,500**	839
Other revenue and gains	7	**5,357**	3,130
Selling and distribution costs		**(994)**	–
Administrative expenses		**(12,240)**	(21,695)
Finance costs	8	**(1,799)**	–
PROFIT/(LOSS) BEFORE TAX	9	**1,824**	(17,726)
Tax	11	**(676)**	–
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	12	**1,148**	(17,726)
Dividend	13	**–**	–
Earnings/(loss) per share	14		
– basic (cents)		**0.32**	(14.49)
– diluted (cents)		**N/A**	N/A

GoLife

Consolidated Balance Sheet

31 December 2006

	Notes	31/12/2006 HK$'000	31/3/2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,955**	–
Goodwill	16	**75,552**	–
Intangible assets	17	**4,720**	–
Investments in associates	19	**–**	4
Total non-current assets		**83,227**	4
CURRENT ASSETS			
Inventories	20	**2,643**	–
Trade receivables	21	**2,209**	328
Deposits, prepayments and other receivables		**4,598**	10
Financial assets at fair value through profit or loss	22	**6,190**	–
Derivative financial instruments	23	**92**	–
Cash and bank balances		**3,426**	112
Total current assets		**19,158**	450
CURRENT LIABILITIES			
Trade and bills payables	24	**3,116**	–
Other payables and accruals		**3,212**	1,505
Interest-bearing bank and other borrowings	25	**12,460**	–
Tax payable		**1,076**	–
Total current liabilities		**19,864**	1,505
Net current liabilities		**(706)**	(1,055)
Total assets less current liabilities		**82,521**	(1,051)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**2,785**	4,775
Convertible notes	27	**48,188**	–
Total non-current liabilities		**50,973**	4,775
Net assets/(liabilities)		**31,548**	(5,826)

Consolidated Balance Sheet

31 December 2006

	Notes	31/12/2006 HK$'000	31/3/2006 HK$'000
EQUITY			
Issued capital	29	**5,268**	65,850
Equity component of convertible notes	27	**11,316**	–
Reserves		**14,964**	(71,676)
Total equity		**31,548**	(5,826)

Director

Director

Consolidated Statement of Changes in Equity

Period from 1 April 2006 to 31 December 2006

	Issued capital HK$'000	Share premium HK$'000	Equity component of convertible notes HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2005	59,092	34,698	–	(15)	(88,633)	5,142
Issue of shares upon loan capitalisation	6,758	–	–	–	–	6,758
Net loss for the year	–	–	–	–	(17,726)	(17,726)
At 31 March 2006 and 1 April 2006	65,850	34,698	–	(15)	(106,359)	(5,826)
Capital reorganisation – note 29	(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 – note 27	–	–	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	5,268	55,642	11,316	–	(40,678)	31,548

Consolidated Cash Flow Statement

Period from 1 April 2006 to 31 December 2006

	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000
OPERATING ACTIVITIES		
Profit/(loss) before tax	**1,824**	(17,726)
Adjustments for:		
Finance costs	**1,799**	–
Interest income	**(9)**	–
Depreciation	**732**	11,194
Provision for impairment on investment in an associate	**4**	–
Amortisation of intangible assets	**280**	–
Gain on disposal of subsidiaries	**(1,698)**	–
Waiver of other loan	**(1,000)**	–
Fair value gain on financial assets at fair value through profit or loss	**(2,014)**	–
Fair value gain on derivative financial instruments	**(92)**	–
Write-off of property, plant and equipment	**–**	5,827
Reversal of write-down of inventories	**–**	(176)
Reversal of provision for doubtful debts	**(3)**	(2,537)
Operating cash flow before movements in working capital	**(177)**	(3,418)
Decrease in inventories	**2,837**	512
Decrease/(increase) in trade receivables	**(409)**	2,380
Decrease in deposits, prepayments and other receivables	**5,677**	177
Increase in financial assets at fair value through profit or loss	**(4,176)**	–
Increase in trade and bill payables	**1,342**	–
Decrease in other payables and accruals	**(400)**	(961)
Increase in amount due to a fellow subsidiary	**–**	667
Increase in amount due to a director	**–**	650
Cash generated from operations	**4,694**	7
Interest received	**9**	–
Hong Kong profits tax paid	**(2,718)**	–
Overseas tax paid	**(47)**	–
NET CASH FROM OPERATING ACTIVITIES	**1,938**	7
INVESTING ACTIVITIES		
Acquisition of a subsidiary	**(21,362)**	–
Purchases of items of property, plant and equipment	**(125)**	(9)
NET CASH USED IN INVESTING ACTIVITIES	**(21,487)**	(9)

Consolidated Cash Flow Statement

Period from 1 April 2006 to 31 December 2006

	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000
FINANCING ACTIVITIES		
Interest paid	(315)	–
Proceeds from open offer	24,895	–
Redemption of convertible notes	(3,500)	–
Repayment of other loan	(3,775)	–
New bank loans	7,300	–
Repayment of bank loans	(873)	–
Decrease in trust receipt loans	(3,157)	–
Repayments of capital element of finance leases	(183)	(8)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	20,392	(8)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	843	(10)
Cash and cash equivalents at beginning of period/year	112	122
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	955	112
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,426	112
Bank overdrafts	(2,471)	–
	955	112

Balance Sheet

31 December 2006

	Notes	31/12/2006 HK$'000	31/3/2006 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**81,180**	–
CURRENT ASSETS			
Cash and bank balances		**1**	22
CURRENT LIABILITIES			
Other payables and accruals		**685**	329
Due to a subsidiary	18	**3,915**	–
Total current liabilities		**4,600**	329
Net current liabilities		**(4,599)**	(307)
Total assets less current liabilities		**76,581**	(307)
NON-CURRENT LIABILITIES			
Convertible notes	27	**48,188**	–
Net assets/(liabilities)		**28,393**	(307)
EQUITY			
Issued capital	29	**5,268**	65,850
Equity components of convertible notes	27	**11,316**	–
Reserves	31	**11,809**	(66,157)
Total equity		**28,393**	(307)

Director *Director*

Notes to the Financial Statements

31 December 2006

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 14A, 14 Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong, respectively.

The Company's principal activity has not changed during the period and consisted of investment holding. The principal activities of its subsidiaries are design, development and sales of location-based technology devices and application, and distribution of high-end apparel and accessories.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) 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.

Notes to the Financial Statements

31 December 2006

3. IMPACT OF NEW HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

3.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impacts on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments Disclosures[1]
HK(IFRIC)-Int 8	Scope of HKFRS 2[2]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[4]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[5]
HK(IFRIC)-Int 12	Service Concession Arrangements[6]

[1] *Effective for annual periods beginning on or after 1 January 2007*
[2] *Effective for annual periods beginning on or after 1 May 2006*
[3] *Effective for annual periods beginning on or after 1 June 2006*
[4] *Effective for annual periods beginning on or after 1 November 2006*
[5] *Effective for annual periods beginning on or after 1 March 2007*
[6] *Effective for annual periods beginning on or after 1 January 2008*

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities as at 31 December 2006, the validity of which is dependent upon the success of the Group's future operations and its ability to generate adequate cash flows in order to meet its obligations as and when they fall due such that the Group can meet its future working capital. Subsequent the balance sheet date, the Group's operation has generated sufficient cash flows to meet its obligations as and when they fall due. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

The Group changed its financial year end date from 31 March to 31 December. The financial statements for the current period cover 9 months from 1 April 2006 to 31 December 2006. The comparative amounts shown for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and related notes cover the year ended 31 March 2006 and therefore, are not with a comparable time period.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period from 1 April 2006 to 31 December 2006. 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 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 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.

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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".

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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 largely 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.

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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	20%
Furniture, fixtures and office equipment, and computer equipment	20% – 33.3%
Motor vehicles	20 – 25%
Moulds	50%

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.

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.

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

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 straight-line basis over their estimated useful lives of 4 to 10 years.

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, 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.

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment and other financial assets *(Continued)*

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 two 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.

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at amortised cost (Continued)

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.

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 recongised 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.

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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.

Notes to the Financial Statements

31 December 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

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.

Notes to the Financial Statements

31 December 2006

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.

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 period from 1 April 2006 to 31 December 2006 and the year ended 31 March 2006.

For management purposes, the Group is currently 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.

Notes to the Financial Statements

31 December 2006

6. SEGMENT INFORMATION *(Continued)*

(i) Business segments *(Continued)*

Segment information about these businesses is presented below.

	Design, development and sales of location-based technology devices and applications		Distribution of high-end apparel and accessories		Consolidated	
	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000	**Period from 1/4/2006 to 31/12/2006 HK$'000**	Year ended 31/3/2006 HK$'000	**Period from 1/4/2006 to 31/12/2006 HK$'000**	Year ended 31/3/2006 HK$'000
TURNOVER						
External turnover	**543**	1,359	**18,342**	–	**18,885**	1,359
RESULTS						
Segment results	**(360)**	(16,879)	**363**	–	**3**	(16,879)
Unallocated revenue					**5,110**	204
Unallocated expenses					**(1,490)**	(1,051)
Finance costs					**(1,799)**	–
Profit/(loss) before tax					**1,824**	(17,726)
Tax					**(676)**	–
Profit/(loss) for the period/year					**1,148**	(17,726)

Notes to the Financial Statements

31 December 2006

6. SEGMENT INFORMATION *(Continued)*

(i) Business segments *(Continued)*

	Design, development and sales of location-based technology devices and applications		Distribution of high-end apparel and accessories		Consolidated	
	31/12/2006 HK$'000	31/3/2006 HK$'000	**31/12/2006 HK$'000**	31/3/2006 HK$'000	**31/12/2006 HK$'000**	31/3/2006 HK$'000
Assets:						
Segment assets	**1**	428	**94,395**	–	**94,396**	428
Investment in an associate	**–**	4	**–**	–	**–**	4
Unallocated corporate assets					**7,989**	22
Total assets					**102,385**	454
Liabilities:						
Segment liabilities	**417**	5,950	**21,547**	–	**21,964**	5,950
Unallocated corporate liabilities					**48,873**	330
Total liabilities					**70,837**	6,280

	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000	**Period from 1/4/2006 to 31/12/2006 HK$'000**	Year ended 31/3/2006 HK$'000	**Period from 1/4/2006 to 31/12/2006 HK$'000**	Year ended 31/3/2006 HK$'000
Other segment information:						
Capital expenditure	**–**	9	**1,741**	–	**1,741**	9
Depreciation	**–**	11,194	**732**	–	**732**	11,194
Amortisation	**–**	–	**280**	–	**280**	–
Impairment loss	**4**	–	**–**	–	**4**	–

Notes to the Financial Statements

31 December 2006

6. SEGMENT INFORMATION *(Continued)*

(ii) Geographical segments

During the period, the Group's turnover was derived from operations carried out in Hong Kong and Taiwan. Over 90% of the Group's assets, liabilities and capital expenditures are derived from operations carried out in Hong Kong. Accordingly, no further geographical segment information is presented in the financial statements except the followings.

	Hong Kong		Taiwan		Other		Consolidated	
	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000	**Period from 1/4/2006 to 31/12/2006 HK$'000**	Year ended 31/3/2006 HK$'000	**Period from 1/4/2006 to 31/12/2006 HK$'000**	Year ended 31/3/2006 HK$'000	**Period from 1/4/2006 to 31/12/2006 HK$'000**	Year ended 31/3/2006 HK$'000
TURNOVER								
External turnover	**13,798**	1,359	**5,087**	–	**–**	–	**18,885**	1,359
RESULTS								
Segment results	**1,759**	(16,614)	**433**	–	**(368)**	(1,112)	**1,824**	(17,726)
Tax							**(676)**	–
Profit/(loss) for the period/year							**1,148**	(17,726)

Notes to the Financial Statements

31 December 2006

7. TURNOVER, OTHER REVENUE 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 revenue and gains is as follows:

	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000
TURNOVER		
Design, development and sales of location-based technology devices and applications	**543**	1,359
Distribution of high-end apparel and accessories	**18,342**	–
	18,885	1,359
OTHER REVENUE AND GAINS		
Bank interest income	**9**	–
Consultancy fee income	**72**	–
Fair value gain on financial assets at fair value through profit or loss	**2,014**	–
Fair value gain on derivative financial instruments	**92**	–
Gain on disposal of financial assets at fair value through profit or loss	**398**	–
Gain on disposal of subsidiaries	**1,698**	–
Reversal of provision for doubtful debts	**3**	2,498
Reversal of write-down of inventories	**–**	176
Waiver of other loan	**1,000**	–
Write-off of long outstanding other payables and accruals	**–**	252
Sundry income	**71**	204
	5,357	3,130

Notes to the Financial Statements

31 December 2006

8. FINANCE COSTS

	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000
Interest on convertible notes	**1,484**	–
Interest on bank loans and overdrafts wholly repayable within five years	**289**	–
Interest on finance leases	**26**	–
	1,799	–

9. PROFIT/(LOSS) BEFORE TAX

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

	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000
Cost of inventories sold	**7,323**	–
Cost of services rendered	**62**	520
Auditors' remuneration	**295**	250
Amortisation of intangible assets	**280**	–
Depreciation of property, plant and equipment	**732**	11,194
Exchange losses, net	**76**	10
Minimum lease payments under operating leases on land and buildings	**3,962**	310
Provision for impairment on investment in an associate	**4**	–
Write-off of property, plant and equipment	**–**	5,827
Staff costs (excluding directors' remuneration – *note 10*)		
Salaries and allowances	**3,119**	1,687
Pension scheme contributions	**128**	(16)
	3,247	1,671

Notes to the Financial Statements

31 December 2006

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

Period from 1 April 2006 to 31 December 2006:

	Fees HK$'000	Salaries and allowances HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors				
Leung Tak Wah	–	190	9	199
Lo Mun Lam, Raymond	200	–	–	200
Yu Wai Yin, Vicky	40	–	–	40
Independent non-executive directors				
Lum Pak Sam	–	–	–	–
Sum Chun Ho, Sam	19	–	–	19
Wan Kwok Pan	14	–	–	14
Non-executive directors				
Duncan Chiu *(note 1)*	–	–	–	–
Richard Yen *(note 1)*	–	–	–	–
Total	273	190	9	472

Notes to the Financial Statements

31 December 2006

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Year ended 31 March 2006:

	Fees HK$'000	Salaries and allowances HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors				
Tsoi Siu Ching, Leo *(note 2)*	–	–	–	–
Leung Tak Wah	–	260	12	272
Lo Mun Lam, Raymond	–	–	–	–
Yu Wai Yin, Vicky	70	–	–	70
Independent non-executive directors				
Chan Chi Tong *(note 3)*	70	–	–	70
Huang Hai Wen *(note 4)*	64	–	–	64
Liu Kwong Sang *(note 5)*	–	–	–	–
Lum Pak Sum	–	–	–	–
Sum Chun Ho, Sam	35	–	–	35
Wan Kwok Pan	6	–	–	6
Total	245	260	12	517

Notes:

1. Mr. Chiu and Mr. Yen appointed on 27 September 2006.
2. Mr. Tsoi resigned on 31 August 2005.
3. Mr. Chan resigned on 15 September 2005.
4. Mr. Huang resigned on 31 August 2005.
5. Mr. Liu resigned on 8 February 2006.

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

Notes to the Financial Statements

31 December 2006

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The five individuals whose emoluments were the highest in the Group for the period include two (year ended 31 March 2006: one) directors, details of whose emoluments are set out in above. Details of the emoluments of the remaining three (year ended 31 March 2006: four) are non-directors, highest paid employees of the Group for the period/year are as follows:

	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000
Basic salaries, allowances and other benefits in kind	**600**	675
Retirement benefits scheme contributions	**30**	31
	630	706

The emoluments of each of the non-director, highest paid individuals for the period from 1 April 2006 to 31 December 2006 and year ended 31 March 2006 fell within Nil to HK$1,000,000 band.

During the period from 1 April 2006 to 31 December 2006 and year ended 31 March 2006, 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.

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.

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11. TAX

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

	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000
Current provision:		
– Hong Kong	**575**	–
– Overseas	**101**	–
	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:

	Period from 1/4/2006 to 31/12/2006 HK$'000	**%**	Year ended 31/3/2006 HK$'000	%
Profit/(loss) before tax	**1,824**		(17,726)	
Tax at the domestic income tax rate	**319**	**17.5**	(3,102)	(17.5)
Effect of different tax rates in other jurisdictions	**(24)**	**(1.3)**	28	0.9
Income not subject to tax	**(471)**	**(25.8)**	–	–
Expenses not deductible for tax	**336**	**18.4**	230	7.4
Tax losses not recognized	**516**	**28.3**	2,844	9.2
Tax charge at effective rate	**676**	**37.1**	–	–

Notes to the Financial Statements

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12. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net profit/(loss) attributable to shareholders for the period from 1 April 2006 to 31 December 2006 dealt with in the financial statements of the Company is loss of approximately HK$7,511,000. (year ended 31 March 2006: loss of approximately HK$6,517,000).

13. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the period.

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the net profit for the period from 1 April 2006 to 31 December 2006 of approximately HK$1,148,000 (year ended 31 March 2006: loss of HK$17,726,000) and the weighted average number of 361,577,386 ordinary shares (year ended 31 March 2006: 122,367,968 ordinary shares being adjusted retrospectively for the share consolidation) in issue during the period.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2006 has been retrospectively adjusted for the effect of the share consolidation completed during the period.

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

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15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixture and office equipment HK$'000	Motor vehicles HK$'000	Mould HK$'000	Total HK$'000
Cost:						
At 1 April 2005	–	58,680	86	213	187	59,166
Additions	–	9	–	–	–	9
Write-off	–	(58,689)	(86)	(213)	(187)	(59,175)
At 31 March 2006 and 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	3,857	–	617	1,616	–	6,090
Accumulated depreciation:						
At 1 April 2005	–	41,677	77	213	187	42,154
Charge for the year	–	11,185	9	–	–	11,194
Write-off	–	(52,862)	(86)	(213)	(187)	(53,348)
At 31 March 2006 and 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	2,397	–	415	323	–	3,135
Net book value:						
At 31 December 2006	1,460	–	202	1,293	–	2,955
At 31 March 2006	–	–	–	–	–	–
At 31 March 2005	–	17,003	9	–	–	17,012

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 2006, approximately amounted to HK$1,293,000 (31 March 2006: Nil).

Notes to the Financial Statements

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16. 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
Arising from acquisition of a subsidiary	75,552
Impairment during the period	–
At 31 December 2006	75,552

17. INTANGIBLE ASSETS

Group

	Franchise rights HK$'000
Cost:	
Arising from acquisition of a subsidiary	5,000
At 31 December 2006	5,000
Accumulated amortisation and impairment:	
Amortised for the period	280
At 31 December 2006	280
Net book value:	
At 31 December 2006	4,720

Notes to the Financial Statements

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18. INTERESTS IN SUBSIDIARIES

	Company	
	31/12/2006	31/3/2006
	HK$'000	HK$'000
Unlisted shares, at cost	**81,180**	–
Due from subsidiaries	**102,193**	97,629
Due to a subsidiary	**(3,915)**	–
Impairment in value	**(102,193)**	(97,629)
	(3,915)	–
	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 2006 are as follows:

Name	Place of incorporation/ registration	Issued and fully paid up capital/ registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
Golife (Hong Kong) Limited	Hong Kong	HK$500,000	100%	–	Distribution of high-end apparel and accessories
Satellite Devices (BVI) Limited	British Virgin Islands	US$3	100%	–	Investment holding
Satellite Devices Limited	Hong Kong	HK$5,000,000	–	100%	Design, development and sales of location-based technology devices and application

Notes to the Financial Statements

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19. INVESTMENTS IN ASSOCIATES

	Group	
	31/12/2006	31/3/2006
	HK$'000	HK$'000
Share of net assets	**4**	1,474
Amount due to an associate	**–**	(1,470)
Impairment	**(4)**	–
	–	4

Particulars of the associate of the Group as at 31 December 2006 are as follows:

Name	**Place of incorporation**	**Issued and fully paid up capital**	**Equity interest held indirectly**	**Principal activities**
Telematics Systems Limited	Hong Kong	HK$10,000	40%	Dormant

20. INVENTORIES

	Group	
	31/12/2006	31/3/2006
	HK$'000	HK$'000
Merchandise	**2,643**	–

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

Notes to the Financial Statements

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21. 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	
	31/12/2006	31/3/2006
	HK$'000	HK$'000
0 – 30 days	**1,710**	283
31 – 60 days	**499**	45
61 – 90 days	**–**	–
Over 90 days	**–**	12,719
	2,209	13,047
Less: provision for doubtful debts	**–**	(12,719)
	2,209	328

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	31/12/2006	31/3/2006
	HK$'000	HK$'000
Equity investments listed in Hong Kong, at fair value	**1,493**	–
Derivative financial assets, at fair value	**4,697**	–
	6,190	–

The derivative financial assets represent some warrants on equity investments listed in Hong Kong and are with maturity date of 21 May 2007.

Notes to the Financial Statements

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23. DERIVATIVE FINANCIAL INSTRUMENTS

	31/12/2006		31/3/2006	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash flow hedges				
– foreign currency contracts	**92**	–	–	–

The Group has two forward currency contracts outstanding at 31 December 2006 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 HK$92,000 was credited to the income statement during the year (year ended 31 March 2006: Nil).

24. 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:

	31/12/2006	31/3/2006
	HK$'000	HK$'000
0 – 30 days	**2,433**	–
31 – 60 days	**367**	–
61 – 90 days	**16**	–
Over 90 days	**300**	–
	3,116	–

Notes to the Financial Statements

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25. INTEREST–BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity or Interest reprice date, whichever is earlier	31/12/2006 HK$'000	31/3/2006 HK$'000
Current				
Finance lease payables *(note 26)*	3.25%	2007	**395**	–
Bank overdrafts – secured	best lending rate + 1%	on demand	**2,471**	–
Bank loans – secured	prime rate + 2%	2007	**6,831**	–
Trust receipt loans – secured	best lending rate	2007	**2,763**	–
			12,460	–
Non-current				
Finance lease payables *(note 26)*	3.25%	2008-2011	**1,038**	–
Bank loans – secured	prime rate + 2%	2008 – 2009	**1,747**	–
Other loan – unsecured	10%	2007, but early repaid in the period	**–**	4,775
			2,785	4,775
			15,245	4,775
Analysed into:				
Bank loans and overdrafts payable:				
Within one year or on demand			**12,065**	–
In the second to fifth years, inclusive			**1,747**	–
			13,812	–
Other borrowings payable:				
Within one year or on demand			**395**	–
In the second to fifth years, inclusive			**1,038**	4,775
			1,433	4,775

Notes to the Financial Statements

31 December 2006

25. INTEREST–BEARING BANK AND OTHER BORROWINGS *(Continued)*

The Group's banking facilities are secured by:

(i) personal guarantees provided by directors of a subsidiary of the Group; and

(ii) corporate guarantee provided by the Company and the Group's related company.

26. 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 four to five years.

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

	Minimum lease payments 31/12/2006 HK$'000	Minimum lease payments 31/3/2006 HK$'000	**Present value of minimum lease payments 31/12/2006 HK$'000**	Present value of minimum lease payments 31/3/2006 HK$'000
Amount payable:				
Within one year	**447**	–	**395**	–
In the second year to fifth years, inclusive	**1,174**	–	**1,038**	–
Total minimum finance lease payments	**1,621**	–	**1,433**	–
Future finance charges	**(188)**	–		
Total net finance lease payables	**1,433**	–		
Portion classified as current liabilities *(note 25)*	**(395)**	–		
Long term portion *(note 25)*	**1,038**	–		

Notes to the Financial Statements

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27. 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 issuance 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 are calculated as follows:

	Group and Company	
	31/12/2006	31/3/2006
	HK$'000	HK$'000
Nominal value of convertible notes issued during the period	**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 balance sheet date	**48,188**	
Equity component at the issuance date	**11,999**	–
Redemption during the period	**(683)**	–
Equity component at balance sheet date	**11,316**	–

On 19 October 2006 and 21 December 2006, the Company redeemed convertible notes with principal amount of HK$2,500,000 and HK$1,000,000, respectively.

Notes to the Financial Statements

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28. DEFERRED TAX

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

	Accelerated Tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2005	2,869	(2,869)	–
Charged/(credited) to consolidated income statement	(2,876)	2,876	–
At 31 March 2006 and 1 April 2006	(7)	7	–
Charged/(credited) to consolidated income statement	1	(1)	–
At 31 December 2006	(6)	6	–

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

As at 31 December 2006, the Group had unused tax losses of approximately HK$97,340,000 (31 March 2006: approximately HK$97,339,000) available for offset against future profits. No deferred tax asset was recognized during the period due to the unpredictability of future profit streams (year ended 31 March 2006: HK$40,000). The unrecognized tax losses may be carried forward indefinitely.

Notes to the Financial Statements

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29. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
At 1 April 2006, ordinary shares of HK$0.1 each	10,000,000,000	1,000,000
Capital reorganisation *(note a)*	–	(900,000)
At 31 December 2006, ordinary shares of HK$0.01 each	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2006, ordinary shares of HK$0.1 each	658,501,863	65,850
Capital reorganisation *(note a)*	(526,801,490)	(64,533)
Open offer *(note b)*	395,101,116	3,951
At 31 December 2006, ordinary shares of HK$0.01 each	526,801,489	5,268

Notes:

(a) Pursuant to the capital reorganization completed on 22 June 2006, 658,501,863 issued shares were consolidated to 131,700,373 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.

(b) 395,101,116 new shares of the Company had been issued under the Open Offer on 25 July 2006, proceeds of approximately HK$23.05 million was being raised as working capital. As at 31 December 2006, the total issued share capital of the Company after the Open Offer are 526,801,489 shares.

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30. 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 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.

At the balance sheet date, no share option was granted under the Scheme since its adoption.

Notes to the Financial Statements

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31. RESERVES

The amounts of the Group's reserves and the movements therein for the current period and prior year are presented in the consolidated statement of changes in equity on page 29 of the financial statements.

Company

	Share premium HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2005	34,698	(94,338)	(59,640)
Net loss for the year	–	(6,517)	(6,517)
At 31 March 2006 and 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	55,642	(43,833)	11,809

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 2006, in the opinion of the directors, the Company's reserves available for distributions to shareholders amounted to HK$11,809,000.

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32. ACQUISITION OF A SUBSIDIARY

On 31 July 2006, the Company acquired 100% equity interest in Golife (Hong Kong) Limited (formerly known as "Hip Kin Retailing Limited"). This transaction has been accounted for by the purchase method.

The net assets acquired, being the fair value, in the transaction, and goodwill on acquisition, are as follows:

	Carrying amount of the acquiree HK$'000	Fair value adjustment HK$'000	Fair value of the acquiree HK$'000
Net assets acquired comprised:			
Property, plant and equipment	1,946	–	1,946
Intangible assets	–	5,000	5,000
Inventories	5,480	–	5,480
Trade receivables	1,469	–	1,469
Deposit, prepayments and other receivables	10,265	–	10,265
Cash and bank balances	474	–	474
Trade payables	(1,774)	–	(1,774)
Other payables and accruals	(3,820)	–	(3,820)
Tax payable	(3,165)	–	(3,165)
Bank overdrafts	(2,176)	–	(2,176)
Bank loans	(2,151)	–	(2,151)
Trust receipts loans	(5,920)	–	(5,920)
Net assets acquired	628	5,000	5,628
Goodwill arising on acquisition			75,552
			81,180
Satisfied by:			
Cash consideration			19,660
Convertible notes			61,520
			81,180

Notes to the Financial Statements

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32. ACQUISITION OF A SUBSIDIARY *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(19,660)
Cash and bank balances acquired	474
Bank overdrafts acquired	(2,176)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(21,362)

33. DISPOSAL OF SUBSIDIARIES

	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000
Net liabilities disposal of:		
Amounts due to group companies	**(3,193)**	–
	(3,193)	–
Realisation of reserves	**15**	–
Gain on disposal of subsidiaries	**1,698**	–
Amounts waived by group companies	**1,480**	–
	–	–
Satisfied by:		
Cash	**–**	–

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

	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000
Cash consideration	**–**	–
Cash and bank balances disposed of	**–**	–
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**–**	–

Notes to the Financial Statements

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34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) During the period, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of approximately HK$1,616,000 (31 March 2006: Nil).

(b) During the period, the Group settled the part of the purchase consideration for acquisition of Golife (Hong Kong) Limited of approximately HK$61,520,000 by issue of convertible notes with nominal value of HK$61,520,000.

35. RELATED PARTY TRANSACTIONS

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

	Group	
	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000
Management fee charged by a related company	**495**	–

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.

(b) At the balance sheet date, 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 (31 March 2006: Nil) at nil consideration.

36. LITIGATION

On 29 June 2005, a landlord issued writ against Satellite Devices Limited, a wholly owned subsidiary of the Company, to claim for the arrears of rent, rates, air-conditioning and management fee, reinstatement costs and late payment interest for a total amount of approximately HK$331,000. Full provision for this amount had been made in the financial statements.

Apart from the action against the Group disclosed above, there are no other material outstanding writs and litigations against the Group and/or the Company.

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37. CONTINGENT LIABILITIES

At the balance sheet date, the Company has given unlimited corporate guarantees (31 March 2006: Nil) to banks to secure the banking facilities granted to its subsidiaries. Facilities amounting to HK$5,429,000 (31 March 2006: Nil) 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:

	31/12/2006	31/3/2006
	HK$'000	HK$'000
Within one year	**6,301**	93
In the second to fifth years, inclusive	**4,618**	77
	10,919	170

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.

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39. COMMITMENTS

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

Commitments under license agreements in respect of two brand name products are:

	31/12/2006 HK$'000	31/3/2006 HK$'000
Minimum purchases:		
Within one year	**19,072**	–
In the second to fifth years, inclusive	**86,151**	
Beyond five years	**6,649**	–
	111,872	–

40. POST BALANCE SHEET EVENTS

The following events have occurred subsequent to 31 December 2006:

(a) On 21 February 2007, Profit First Investments Limited ("Profit First"), a wholly owned subsidiary of the Company, has entered into an agreement with Zion Worldwide Limited ("Zion Worldwide") to establish LOC Limited ("LOC") which will be principally engaged in the wholesale, design, sourcing, merchandise planning and marketing of lifestyle consumer products including but not limited to jewellery and accessories under the Trademarks (the "Business"). LOC are owned by Profit First and Zion Worldwide in equal shares. Profit First has agreed to pay an earn-out payment to Zion Worldwide while Zion Worldwide has agreed to transfer and assign to LOC the Trademarks and all the Intellectual Property of "Business" at a consideration of HK$1. Further details of the transaction are also set out in a circular and an announcement of the Company dated 16 March 2007 and 23 February 2007, respectively.

(b) On 19 January 2007 the Company redeemed convertible notes with principal amount of HK$1,000,000.

(c) On 13 March 2007, convertible notes with principal amount of HK$37,100,000 converted into 371,000,000 ordinary shares at the conversion price of HK$0.10 per share. After issurance of 371,000,000 conversion shares, the Company's issued ordinary shares have been increased from 526,801,488 to 898,101,488.

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's overall risk management programme seeks to minimize potential adverse effects on the financial performance of the Group.

(i) Cash flow and fair value interest rate risk

Interest rate risk refers to the risk experienced by the Group as a result of the fluctuation in interest rates. Currently, the Group does not have a hedge policy. However, the management monitors interest rate exposure and will consider hedging significant bank borrowings when the need arises.

(ii) Foreign currency risk

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than Hong Kong dollars. The currencies giving rise to this risk are primarily Euro, Pound Sterling and New Taiwan Dollar.

Certain trade receivables, payables and trade related transactions of the Group are denominated in foreign currencies. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

(iii) 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 accounts receivable 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.

(iv) Liquidity risk

The Group aims to manage its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. Short term funding is obtained from bank overdraft and trade financing facilities.

(v) Commodity price risk

The Group's exposure to commodity price risk is minimal.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2007.

Financial Summary

	31/12/2006 HK$'000	31/3/2006 HK$'000	31/3/2005 HK$'000	31/3/2004 HK$'000	31/3/2003 HK$'000
Results					
Profit/(Loss) attributable to shareholders	**1,148**	(17,726)	(17,163)	(47,099)	(28,571)
Assets and liabilities					
Total assets	**102,385**	454	17,832	31,065	99,030
Total liabilities	**(70,837)**	(6,280)	(12,690)	(8,758)	(31,322)
Shareholders' (deficit)/funds	**31,548**	(5,826)	5,142	22,307	67,708