



GoLife Concepts
Holdings Limited

Stock code : 8172

Annual Report 2007



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.

The Stock Exchange takes no responsibility for the contents of this annual report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual report, for which the directors (“Directors”) of Golife Concepts Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. 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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Corporate Profile

Golife Concepts Holdings Limited (“Golife” or the “Company”, together with its subsidiaries, the “Group”) is a brand development and distribution company involved in luxury lifestyle products directed toward the Greater China region.

Golife’s experienced management team identifies unique brands that possess character, individuality and longevity, and position such products in suitable market segments to capture maximum business opportunities. Through equity interests, licensing rights or franchised distribution rights, the Group currently operates four international brands, with products spanning from apparel, accessories to jewelry and gifts.

Golife, listed on the GEM-Board of The Stock Exchange of Hong Kong Limited since 2002, is incorporated in the Cayman Islands and headquartered in Hong Kong. The Group, together with its associates, has offices in mainland China, Hong Kong and Taiwan with approximately 100 employees.

Corporate Information

Executive Directors

LO Mun Lam, Raymond
GOUW San Bo, Elizabeth
Richard YEN

Non-Executive Directors

Duncan CHIU
YU Wai Yin, Vicky

Independent Non-Executive Directors

LUM Pak Sum
SUM Chun Ho
WAN Kwok Pan

Company Secretary

TSANG Yin Chiu, Stanley

Qualified Accountant

TSANG Yin Chiu, Stanley

Compliance Officer

GOUW San Bo, Elizabeth

Auditors

Cheung & Siu
Certified Public Accountants (Practising)

Authorized Representatives

TSANG Yin Chiu, Stanley
LO Mun Lam, Raymond

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

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

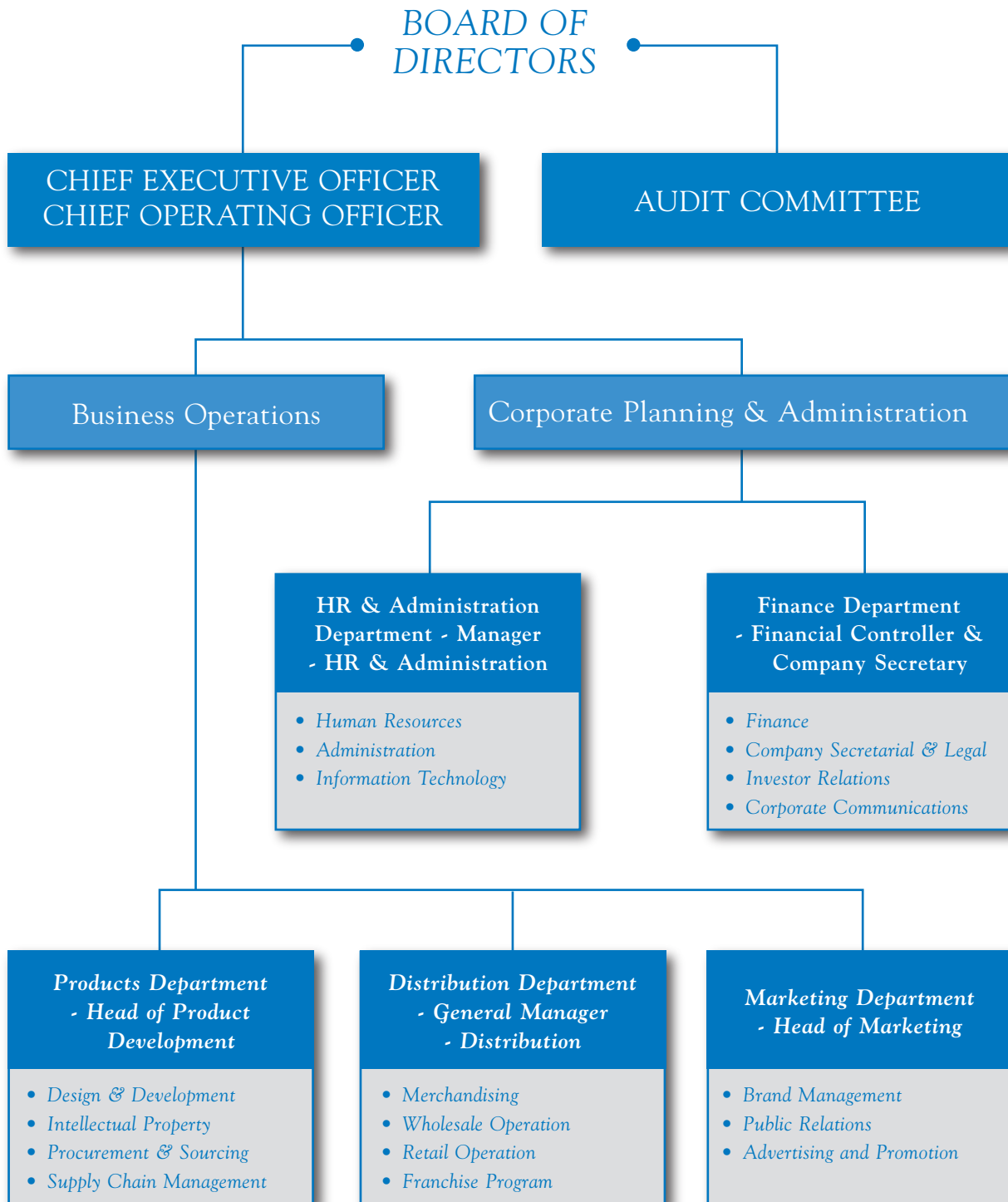
Head Office and Principal Place of Business

Suite A 15/F
Wyndham Place
40 – 44 Wyndham Street
Central
Hong Kong

Corporate Website

<http://www.golife.com.hk>

Organizational Structure



Points of Sale

Anya Hindmarch

Hong Kong

Shop 2055, Podium Level 2, IFC Mall, 8 Finance Street, Central
Shop 208, The Lee Gardens I, Causeway Bay
2/F Harvey Nichols, The Landmark, Central
Shop 113B, Level 1, Ocean Centre, Harbour City, Tsimshatsui

Taiwan

B1 No. 246 Sec 1, Dun-Hua S. Road, Taipei City
2F No. 9 Song-Shou Road, Taipei City
1F No.200 Sec 2, Zhongcheng Road., Shilin District, Taipei City
1F No.658, Sec 1, Ximen Road, West Central District, Tainan City
2F No.111 Sec 2, Taichung Port Road, Taichung City

Macau

Shop 2338, The Mall at Studio City, Macao Studio City, Cotai
(Opening Q3 2009)

Cynthia Rowley

Hong Kong

Shop A, G/F, 9-11 Cleveland Street, Fashion Walk, Causeway Bay
(Opening Q2 2008)
The Gateway, Harbour City, Tsimshatsui
(Opening Q4 2008)

Life of Circle

Hong Kong

Shop 3222A, Level 3, The Gateway, Harbour City, Tsimshatsui
Shop 2034, Podium Level 2, IFC Mall, 8 Finance Street, Central
Shop 112, Lee Gardens 2, Causeway Bay (Opening Q1 2008)

Also available at Yewn store
(The Peninsula, Hong Kong)

Paule Ka

HONG KONG

Shop 108, Chater House, Central
HL-325, 3/F Harvey Nichols, The Landmark, Central
Shop 2115, 2/F, Elements, Kowloon Station, 1 Austin Road West, Kowloon

Financial Highlights

	Year ended 31/12/2007 HK\$'000	Period from 1/4/2006 31/12/2006 HK\$'000	Change %
Revenue			
Turnover	60,598	18,885	221
Profitability			
Gross profit	37,768	11,500	228
Profit/(Loss) before tax	(92,240)	1,824	(5,157)
Profit/(Loss) attributable to shareholders	(92,240)	1,148	(8,135)
Net worth			
Shareholders' fund	11,753	31,548	(63)
Per share			
Profit/(Loss) per share	(8.69) cents	0.32 cents	(2,816)

Management Discussion and Analysis

Financial Review

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

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

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

Distribution Business

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

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

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

Management Discussion and Analysis

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

Product Development

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

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

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

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

Management Discussion and Analysis

Acquisition of French-brand Solola

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

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

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

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

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

Future Plans and Strategies

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

Management Discussion and Analysis

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

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

Corporate Planning and Administration

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

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

Liquidity and Financial Resources

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

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

Management Discussion and Analysis

Employees

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

Profiles of Directors and Senior Management

Directors

Chairman and 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 27 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 Institute of Hospitality and a counselor of Real Estate of the United States of America and a fellow member of the Royal Institution of Chartered Surveyors.

Mr. Lo is also an Independent Non-Executive Director and Chairman of the Board of Luk Fook Holdings Limited and an Independent Non-Executive Director of Shanghai Zendai Property Limited, both companies listed on the Main Board of The Stock Exchange of Hong Kong Limited, and Non-Executive Director and Vice Chairman of Asian Capital Resources Limited, a company listed on the GEM Board of the Stock Exchange of Hong Kong Limited.

Chief Executive Officer and Executive Director

GOUW San Bo, Elizabeth

Aged 36, Ms. Gouw was appointed as Executive Director of the Group in 2007 and has been Chief Executive Officer of the Group since 2006. She is currently responsible for the overall strategy and business development of the Group.

Ms. Gouw is the founder of Golife (Hong Kong) Limited and has been serving as Managing Director since 2001. She is a Chartered Financial Analyst and previously held the position of fund manager for an asset management company based in the United Kingdom. She also served as a research analyst for a major European securities firm.

Ms. Gouw holds a master's degree in accounting and finance from the London School of Economics and Political Science.

Chief Operating officer and Executive Director

YEN Richard

Aged 39, Mr. Yen has been a Non-Executive Director of the Group since 2006, redesignated as Executive Director of the Group since 2007 and appointed as Chief Operating Officer in 2008.

Mr. Yen has over 16 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.

Profiles of Directors and Senior Management

Non-executive Directors

CHIU Duncan

Aged 33, 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 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.

YU Wai Yin, Vicky

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

Ms. Yu has over 9 years of experience in sales and merchandising in the textiles trading and fashion retailing sectors.

Independent non-executive Directors

LUM Pak Sum

Aged 46, Mr. Lum has been an Independent Non-Executive Director of the Group since 2005 and has been the Chairman of the Audit Committee of the Group since 2006.

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 19 years of experience in corporate finance.

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

SUM Chun Ho

Aged 36, 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 (Practising). Mr. Sum has over 11 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.

Profiles of Directors and Senior Management

WAN Kwok Pan

Aged 37, Mr. Wan has been an Independent Non-Executive Director of the Group since 2006.

Mr. Wan has over 11 years of experience in the Electronics Services field. He holds an MBA degree from The University of Hong Kong.

Senior Management

Head – Corporate Planning and Administration

GOUW Kar Yiu, Carl

Aged 30, Mr. Gouw has been the Group's Head of Corporate Planning & Administration since 2007 and has been a director of Golife (Hong Kong) Limited, a wholly-owned subsidiary of the Group, since 2002. Mr Gouw is responsible for the overall strategic planning of the Group, including finance, corporate finance as well as corporate communications.

Previously, Mr Gouw served as Chairman and Chief Executive Officer of an investment corporation listed on the Main Board of the Stock Exchange of Hong Kong.

He holds a BSc degree in Management Sciences from the London School of Economics And Political Science. He is also a director of the Young Entrepreneurs' Organization – Hong Kong Chapter Limited and Director of Hong Kong Ambassadors of Design Limited.

Financial Controller and Company Secretary

TSANG Yin Chiu, Stanley

Aged 33, Mr. Tsang is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Chartered Financial Analyst.

Mr. Tsang holds a bachelor's degree in business administration and has over 11 years of experience in accounting, financial management and auditing. Prior to joining the Company, Mr. Tsang was a manager of a company listed on the Main Board of the Stock Exchange of Hong Kong.

General Manager – Distribution

SIU Sau Lan, Beling

Aged 42, Ms. Siu has been the General Manager of the Group's Distribution Department since 2007. She is responsible for the overall operations of the Group's retail network.

Ms. Siu previously held senior managerial positions in a major retail group in Hong Kong, responsible for the development of various international fashion brands.

Profiles of Directors and Senior Management

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.

Corporate Governance Report

The Board of Directors ("Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2007.

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.

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 13 to 16.

Corporate Governance Report

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 2007, the three executive Directors were Mr. LO Mun Lam, Raymond, Ms. GOUW San Bo, Elizabeth and Mr. Richard YEN; the two non-executive Directors were Mr. Duncan CHIU and Ms. YU Wai Yin, Vicky and the three independent non-executive Directors were Mr. LUM Pak Sum, Mr. SUM Chun Ho, and Mr. WAN Kwok Pan. Two of the independent non-executive Directors have 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. GOUW San Bo, Elizabeth. 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.

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 2007 comes out, but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

Corporate Governance Report

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 meetings, Senior management from time to time provides Directors Information on activities 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 year ended 31 December 2007, 29 meetings were held. Details of the attendance of the Directors at the meetings of the Board and its respective Committees are as follows:

<u>Name of Director</u>	<u>Board Meeting Attended/Held</u>	<u>Audit Committee Attended/Held</u>	<u>Remuneration Committee Attended/Held</u>
<i>Executive Directors</i>			
Mr. LO Mun Lam, Raymond	24/24	N/A	1/1
Mr. LEUNG Tak Wah*	10/11	N/A	N/A
Ms. GOUW San Bo, Elizabeth*	12/13	N/A	N/A
Mr. Richard YEN	22/24	N/A	N/A
<i>Non-executive Directors</i>			
Mr. Duncan CHIU	20/24	N/A	N/A
Ms. YU Wai Yin, Vicky	19/24	N/A	N/A
<i>Independent non-executive Directors</i>			
Mr. LUM Pak Sum	22/24	4/4	1/1
Mr. SUM Chun Ho	22/24	4/4	1/1
Mr. WAN Kwok Pan	22/24	4/4	1/1

* Mr. LEUNG Tak Wah resigned from his Executive Director position with effect from 11 July 2007 and Ms. GOUW San Bo, Elizabeth was appointed as Executive Director on the same date.

Remuneration Committee

A remuneration committee was 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 policies of the Directors and senior management. The remuneration committee consists of an executive Director Mr. LO Mun Lam, Raymond and all three Independent non-executive Directors, namely Mr. LUM Pak Sum, Mr. SUM Chun Ho, Mr. WAN Kwok Pan.

During the year under review, one meeting was held by the remuneration committee to consider and approve the Employee Award Plan for Directors, Senior Staff and Consultants.

Corporate Governance Report

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 year ended 31 December 2007, the remuneration in respect of audit services provided by the auditors, Cheung & Siu, amounted to HK\$360,000.00.

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 four meetings during the year ended 31 December 2007, to review the financial results and reports, financial reporting and compliance procedures, report on the company's internal control and risk management review and processes as well as the re-appointment of the external auditors.

There is no material uncertainty relating to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2007, has been reviewed by the audit committee.

Corporate Governance Report

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 2007.

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 the annual general meeting in 2007 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 Chairman of the Board and the Chairman of the audit committee attended the annual general meeting in 2007 to answer questions at the meeting.

Separate resolutions were proposed at the annual general meeting in 2007 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 considerable 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 year ended 31 December 2007.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the Group are distribution and brand management engaged in the sale of lifestyle fashion and accessories products. Through equity interests, licensing rights or franchised distribution rights, the Group currently operates four international brands, with products spanning from apparel, accessories to jewellery and gifts.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 32.

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

Reserves

Details of the movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 34 and note 34 to the financial statements respectively.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2007 are set out in note 19 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.

As at 31 December 2007, the Company had no reserve for distribution.

Report of the Directors

Donations

During the year, the Group made charitable donations of HK\$112,000.

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 100.

Purchase, sale or redemption of shares

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

Directors' service contracts

Mr. Richard YEN entered into a service contract with the Company for an initial term of one year commencing 17 September 2007 and shall continue thereafter unless terminated by either party serving the other not less than three months' notice. Mr. Richard YEN will be subject to retirement by rotation at the annual general meetings of the Company in accordance with the articles of association of the Company. Mr. Richard YEN has accepted the appointment as the Chief Operating Officer as announced in the Company's announcement of 4 February 2008. Save as disclosed above, 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 year.

Directors' benefits from rights to acquire shares or debentures

Save as disclosed in this report, 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.

Report of the Directors

Share Options Scheme

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

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

On 12 June 2007 the Board of Directors, on the recommendation of the Share Options Scheme Committee, granted offers to the following grantees: -

<u>Name</u>	<u>No. of Shares</u>	<u>Period of Acceptance</u>
Mr. GOUW Hiap Kian	990,000	12 June 2007 to 3 July 2007
Mr. Richard YEN	990,000	12 June 2007 to 3 July 2007
Mr. Duncan CHIU	990,000	12 June 2007 to 3 July 2007

Mr. GOUW Hiap Kian is one of the substantial shareholders of the Company; whilst Mr. Richard YEN and Mr. Duncan CHIU were non-executive Directors of the Company as at the date of grant. Each share option carries 990,000 shares with exercise price at HK\$0.219; will expire on 5 March 2012. The three grantees accepted the offers on 3 July 2007; their exercise period is from 3 July 2007 to 5 March 2012.

As at the date of grant, the share price of the Company was at HK\$0.160. The valuation of the Share Options share was at HK\$0.0330 and at HK\$0.0059 respectively as at the date of grant 3 July 2007 and at balance sheet date 31 December 2007.

Report of the Directors

Employee Award Plan

On 24 July 2007, with a view to increasing the Company's flexibility and effectiveness in its continuing efforts to recruit and motivate employees and Directors of the Group, the Board approved and adopted an Employee Award Plan (the "EAP") pursuant to which cash payment may be payable to Directors or employees ("Participants") of the Group upon vesting of the Awards (as defined below) depending on the price of the Shares. Under to the terms of the EAP, the Remuneration Committee of the Board shall be entitled at any time within ten years upon the adoption date grant such number ("Award Number") of Awards to such eligible Participant as the Remuneration Committee may in its absolute discretion select, taking into account criteria such as the rank, job performance, creativity, innovativeness, entrepreneurship, level of responsibility, years of service and potential for future development and if applicable, the extent of effort and resourcefulness required to achieve the performance target within the prescribed period, at a price ("Award Price") which equals to the closing price of Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant. Upon vesting of the Awards, the Grantee shall be entitled to a cash payment from the Company calculated in accordance with the following formula (but subject to an overall limit as stated in the grant letter of the Awards):

$$(\text{Vesting Price} - \text{Award price}) \times \text{Award Number}$$

Where "Vesting Price" = the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for 5 business days immediately preceding (and exclusive of) the "Vesting Date", which is the date of notice issued by a Grantee exercising his rights to vest all or part of the Awards, or the last day of the calendar year in which the Awards were granted if no vesting notice was issued by the Grantee)

Provided that the Grantee shall not be entitled to any payment under the Award if the Award Price exceeds the Vesting Price.

On 25 July 2007 the Remuneration Committee resolved to grant eleven Awards to selected Grantees who were employees, directors and consultants of the Group at an Award Price of HK\$0.236, which was the closing price of Shares as stated in the daily quotation sheets issued by the Stock Exchange on the Award Date i.e. 25 July 2007, with a vesting period from 25 July 2007 to 31 December 2007.

None of the grantees have served vesting notice to vest the Awards during the period from 25 July 2007 to 31 December 2007 and all Awards automatically become vested on 31 December 2007. Nevertheless, as the Vesting Price was lower than the Award Price of HK\$0.236, no payment was made by the Company as a result of vesting of such Awards. Nevertheless, the Board may continue to grant Awards pursuant to the EAP as and when necessary.

Report of the Directors

<u>Name and category of participant</u>	<u>Date of grant</u>	<u>Date of expiry</u>	<u>Award number</u>	<u>Award Price HK\$</u>	<u>Overall limit of cash payment HK\$'000</u>	<u>Award granted during the year HK\$</u>
Director						
GOUW San Bo, Elizabeth	25 July 2007	31 December 2007	30,000,000	0.236	3,000	-
LO Mun Lam, Raymond	25 July 2007	31 December 2007	5,000,000	0.236	500	-
Richard YEN	25 July 2007	31 December 2007	5,000,000	0.236	500	-
Sub-total			40,000,000		4,000	-
Others						
In aggregate	25 July 2007	31 December 2007	85,000,000	0.236	8,500	-
Total			125,000,000		12,500	-

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

Disclosure of Director's and Chief Executive's Interest

Mr. Richard YEN, through his ownership of Neowin Limited was deemed to have interest in 60,000,000 shares of the Company. On 22 November 2007, he sold his shares in Neowin Limited and his deemed interest ceased from that date.

Save as disclosed above, as at 31 December 2007, 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 2007, 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

Report of the Directors

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

<u>Name of Director</u>	<u>Number of underlying shares interested or deemed to be interested</u>	<u>Approximate percentage of the Company's issued share capital (%)</u>
GOUW Hiap Kian (Note 1)	288,710,000	23.15
NG Choy Yue Mary (Note 1)	288,710,000	23.15
Chung Chiu Limited (Notes 2 and 3)	246,920,000	19.80
Goldig Properties Limited (Notes 2 and 3)	246,920,000	19.80
HSBC International Trustee Limited (Notes 2 and 3)	246,920,000	19.80
Far East Holdings International Limited (Notes 4 and 5)	149,373,600	11.98
Galaxy China Opportunities Fund	79,130,000	6.35
Deutsche Bank Aktiengesellschaft	75,800,000	6.08

Notes:

1. Mr. GOUW Hiap Kian is the beneficial owner of 40,800,000 shares of the Company. Adding the 990,000 shares under the Share Options Scheme and 246,920,000 shares he is deemed to be interested in through Goldig Properties Limited, he is interested in a total of 288,710,000 shares of the Company. Being the spouse of GOUW Hiap Kian, NG Choy Yue Mary is deemed to be interested in the 288,710,000 shares of the Company pursuant to the SFO.
2. Goldig Properties 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 246,920,000 underlying shares of the Company held by Goldig Properties Limited.
3. Ms. GOUW San Bo, Elizabeth is also a director of Chung Chiu Limited and Goldig Properties Limited.
4. Far East Technology International Limited is interested in an aggregate of 149,373,600 shares of the Company.
5. Mr. Duncan CHIU is also the Managing Director and the Chief Executive Officer of Far East Holdings International Limited.

Save as disclosed above, as at 31 December 2007, 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.

Report of the Directors

Major customers and suppliers

The percentage of sales and purchases for the year 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	69%
– five largest suppliers combined	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.

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 year.

Directors

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

Executive Director

Mr. LO Mun Lum, Raymond	
Ms. GOUW San Bo, Elizabeth	(appointed on 11 July 2007)
Mr. LEUNG Tak Wah	(resigned on 11 July 2007)
Mr. Richard YEN	(redesignated from Non-executive Director on 28 August 2007)

Non-executive Director

Mr. Duncan CHIU	
Ms. YU Wai Yin, Vicky	(redesignated from Executive Director on 3 April 2007)

Independent Non-executive Director

Mr. LUM Pak Sum
Mr. SUM Chun Ho
Mr. WAN Kwok Pan

Report of the Directors

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 year ended 31 December 2007.

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.

Change of Compliance Officer

On 11 July 2007, Mr. LEUNG Tak Wah resigned and Ms. GOUW San Bo, Elizabeth was appointed as the Compliance Officer of the Company.

Change of Company Secretary

On 11 July 2007, Mr. LEUNG Tak Wah resigned and Mr. MA Chi Ming was appointed as the Company Secretary of the Company. On 19 February 2008, Mr. MA Chi Ming resigned and Mr. TSANG Yin Chiu, Stanley was appointed as the Company Secretary.

Auditors

Graham H.Y. Chan & Co. remained as the Company's auditors from 21 May 2003 and resigned on 11 January 2007. Cheung & Siu were first appointed as the Company's auditors in 2007 upon the retirement of Graham H.Y. Chan & Co.

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

On behalf of the Board

GOUW San Bo, Elizabeth

Chief Executive Officer and Executive Director

Hong Kong, 20 March 2008

Independent Auditor's Report

Cheung & Siu Certified Public Accountants (*Practising*)
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**
(*incorporated in the Cayman Islands with limited liability*)

We have audited the consolidated financial statements of Golife Concepts Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 99, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, 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 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Cheung & Siu

Certified Public Accountants (Practising)
Hong Kong, 20 March 2008

Consolidated Income Statement

Year ended 31 December 2007

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

Consolidated Balance Sheet

31 December 2007

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

Consolidated Statement Of Changes In Equity

Year ended 31 December 2007

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

Consolidated Cash Flow Statement

Year ended 31 December 2007

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

Consolidated Cash Flow Statement

Year ended 31 December 2007

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

Balance Sheet

31 December 2007

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

Notes to the Financial Statements

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1. General Information

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

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

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

2. Basis of Preparation

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

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

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

HKAS 1 (Amendment)

HKFRS 7

HK(IFRIC) – Int 8

HK(IFRIC) – Int 9

HK(IFRIC) – Int 10

Capital Disclosures

Financial Instruments: Disclosures

Scope of HKFRS 2

Reassessment of Embedded Derivatives

Interim Financial Reporting and Impairment

Notes to the Financial Statements

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3. Impact of New and Revised Hong Kong Financial Reporting Standards (*Continued*)

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

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

HKAS 1 (Amendment) – Capital Disclosures

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

HKFRS 7 – Financial Instruments: Disclosures

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

- a sensitive analysis explained the Group's market risk exposure in regard to its financial instruments, and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

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

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

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

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

Notes to the Financial Statements

31 December 2007

3. Impact of New and Revised Hong Kong Financial Reporting Standards (*Continued*)

3.1 Impact of issued but not yet effective Hong Kong Financial Reporting Standards (*Continued*)

Notes:

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

4. Summary of Significant Accounting Policies

Basis of consolidation

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

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

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

Subsidiaries

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

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

Joint ventures

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

Notes to the Financial Statements

31 December 2007

4. Summary of Significant Accounting Policies (*Continued*)

Joint ventures (*Continued*)

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

A joint venture is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS39, if the Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly controlled entities

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

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

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

Notes to the Financial Statements

31 December 2007

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".

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.

Notes to the Financial Statements

31 December 2007

4. Summary of Significant Accounting Policies (*Continued*)

Goodwill (*Continued*)

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 2007

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 2007

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

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

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

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

Intangible assets (other than goodwill)

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

Franchise rights

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

Notes to the Financial Statements

31 December 2007

4. Summary of Significant Accounting Policies (*Continued*)

Leases

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

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

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

Investment and other financial assets

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Notes to the Financial Statements

31 December 2007

4. Summary of Significant Accounting Policies (*Continued*)

Investment and other financial assets (*Continued*)

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

Fair value

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

Notes to the Financial Statements

31 December 2007

4. Summary of Significant Accounting Policies (*Continued*)

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is 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 2007

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 2007

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.

Derecognition of financial liabilities

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

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

Derivative financial instruments and hedging

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

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

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

Notes to the Financial Statements

31 December 2007

4. Summary of Significant Accounting Policies (*Continued*)

Derivative financial instruments and hedging (*Continued*)

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

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

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

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

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

Fair value hedges

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

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

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

Notes to the Financial Statements

31 December 2007

4. Summary of Significant Accounting Policies (*Continued*)

Derivative financial instruments and hedging (*Continued*)

Fair value hedges (Continued)

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

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

Cash flow hedges

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

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

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

Hedges of a net investment

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

Notes to the Financial Statements

31 December 2007

4. Summary of Significant Accounting Policies (*Continued*)

Inventories

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

Cash and cash equivalents

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

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

Provision

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

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

Income tax

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

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

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

Notes to the Financial Statements

31 December 2007

4. Summary of Significant Accounting Policies (*Continued*)

Income tax (*Continued*)

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Notes to the Financial Statements

31 December 2007

4. Summary of Significant Accounting Policies (*Continued*)

Revenue recognition

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

- (a) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, when services are rendered; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Equity-settled share-based payment transactions

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

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

Cash-settled share-based payment transactions

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

Pension scheme

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

Borrowing costs

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

Notes to the Financial Statements

31 December 2007

4. Summary of Significant Accounting Policies (*Continued*)

Foreign currencies

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

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

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

5. Significant Accounting Judgements And Estimates

Judgements

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

Impairment of assets

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

Notes to the Financial Statements

31 December 2007

5. Significant Accounting Judgements And Estimates (Continued)

Estimation uncertainty

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

Impairment of goodwill

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

Impairment for trade receivables

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

6. Segment Information

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

(i) Business segments

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

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

Notes to the Financial Statements

31 December 2007

6. Segment Information (Continued)

(i) Business segments (Continued)

Segment information about these businesses is presented below.

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

Notes to the Financial Statements

31 December 2007

6. Segment Information (Continued)

(i) Business segments (Continued)

	Continuing operation		Discontinued operation		Consolidated	
	Distribution of high-end apparel and accessories		Design, development and sales of location-based technology devices and applications			
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Assets:						
Segment assets	35,262	94,395	-	1	35,262	94,396
Unallocated corporate assets					10,455	7,989
Total assets					<u>45,717</u>	<u>102,385</u>
Liabilities:						
Segment liabilities	27,456	21,547	-	417	27,456	21,964
Unallocated corporate liabilities					6,508	48,873
Total liabilities					<u>33,964</u>	<u>70,837</u>
	Year ended 31/12/2007 HK\$'000	Period from 1/4/2006 to 31/12/2006 HK\$'000	Year ended 31/12/2007 HK\$'000	Period from 1/4/2006 to 31/12/2006 HK\$'000	Year ended 31/12/2007 HK\$'000	Period from 1/4/2006 to 31/12/2006 HK\$'000
Other segment information:						
Capital expenditure	7,249	1,741	-	-	7,249	1,741
Depreciation	2,991	732	-	-	2,991	732
Amortisation	673	280	-	-	673	280
Impairment loss	80,089	-	-	4	80,089	4

Notes to the Financial Statements

31 December 2007

6. Segment Information (Continued)

(ii) Geographical segments

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

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

Notes to the Financial Statements

31 December 2007

7. Turnover, Other Revenues And Gains

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

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

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

Notes to the Financial Statements

31 December 2007

8. Finance Costs

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

9. Profit/(Loss) Before Tax

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

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

Notes to the Financial Statements

31 December 2007

10. Directors' Remuneration and Five Highest Paid Employees

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

Year ended 31 December 2007:

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement scheme contribution HK\$'000	Share option benefit HK\$'000	Total HK\$'000
Executive directors					
Lo Mun Lam, Raymond	380	–	–	–	380
Gouw San Bo, Elizabeth (note 1)	–	1,227	6	–	1,233
Richard Yen (note 2)	500	94	4	33	631
Leung Tak Wah (note 3)	–	246	7	–	253
Non-executive directors					
Duncan Chiu	–	–	–	33	33
Yu Wai Yin, Vicky (note 4)	33	–	–	–	33
Independent non-executive directors					
Lum Pak Sum	221	–	–	–	221
Sum Chun Ho, Sam	60	–	–	–	60
Wan Kwok Pan	49	–	–	–	49
Total	<u>1,243</u>	<u>1,567</u>	<u>17</u>	<u>66</u>	<u>2,893</u>

Notes to the Financial Statements

31 December 2007

10. Directors' Remuneration and Five Highest Paid Employees (Continued)

Period from 1 April 2006 to 31 December 2006

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

Notes:

- Ms. Gouw San Bo, Elizabeth was appointed as an executive director on 11 July 2007.
- Mr. Richard Yen was appointed as a non-executive director and redesignated as an executive director on 27 September 2006 and 28 August 2007, respectively.
- Mr. Leung Tak Wah resigned as an executive director on 11 July 2007.
- Ms. Yu Wai Yin Vicky, was redesignated as a non-executive director on 3 April 2007.
- Mr. Duncan Chiu was appointed as a non-executive director on 27 September 2006.

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

Notes to the Financial Statements

31 December 2007

10. Directors' Remuneration and Five Highest Paid Employees (Continued)

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

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

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

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

Notes to the Financial Statements

31 December 2007

10. Directors' Remuneration and Five Highest Paid Employees (Continued)

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

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

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

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

Retirement benefit costs

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

11. Tax

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

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

Notes to the Financial Statements

31 December 2007

11. Tax (Continued)

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

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

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

Notes to the Financial Statements

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12. Net Loss Attributable To Shareholders

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

13. Discontinued Operation

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

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

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

Notes to the Financial Statements

31 December 2007

13. Discontinued Operation (Continued)

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

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

14. Dividend

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

15. Earnings/(Loss) Per Share

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

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

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

Notes to the Financial Statements

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16. Property, Plant and Equipment

Group

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

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

Notes to the Financial Statements

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17. Goodwill

Group

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

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

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

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

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

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

Key assumptions used for value-in-use calculations:

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

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

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

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

Notes to the Financial Statements

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18. Intangible Assets

Group

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

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

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

Notes to the Financial Statements

31 December 2007

19. Interests in Subsidiaries

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

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

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

Name	Place of incorporation/ registration	Issued and fully paid up capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Golife (Hong Kong) Limited	Hong Kong	HK\$500,000	100%	–	Distribution of high-end apparel and accessories
Golife (Trading) Limited	Hong Kong	HK\$300,000	–	100%	Distribution of high-end jewellery and accessories

Notes to the Financial Statements

31 December 2007

19. Interests in Subsidiaries (*Continued*)

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

Notes to the Financial Statements

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20. Interests in Jointly Controlled Entities

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

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

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

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

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

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

Notes to the Financial Statements

31 December 2007

20. Interests in Jointly Controlled Entities (Continued)

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

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

Notes to the Financial Statements

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21. Investment in an Associate

	Group	
	2007 HK\$'000	2006 HK\$'000
Share of net assets	–	4
Impairment	–	(4)
	–	–
	<u>–</u>	<u>–</u>

The investment in an associate was disposed during the year.

22. Inventories

	Group	
	2007 HK\$'000	2006 HK\$'000
Merchandise	<u>8,992</u>	<u>2,643</u>

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

23. Trade Receivables

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

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

Notes to the Financial Statements

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24. Financial Assets at Fair Value Through Profit or Loss

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

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

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

25. Derivative Financial Instruments

	Group			
	2007		2006	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Foreign currency contracts	840	459	92	-

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

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

Notes to the Financial Statements

31 December 2007

26. Trade and Bills Payables

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

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

27. Interest-bearing Bank and Other Borrowings

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

Notes to the Financial Statements

31 December 2007

27. Interest-bearing Bank and Other Borrowings (*Continued*)

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

The Group's banking facilities are secured by:

- (i) the pledge of certain of the Group's fixed deposits amounted to approximately HK\$5,949,000;
- (ii) the pledge of certain of the Group's financial assets at fair value through profit or loss with carrying amount of approximately HK\$728,000;
- (iii) corporate guarantee provided by the Company; and
- (iv) personal guarantees provided by directors of a subsidiary of the Group.

Notes to the Financial Statements

31 December 2007

28. Finance Lease Payables

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

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

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

29. Convertible Notes

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

The fair value of the liability component and the equity conversion component were determined at 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.

Notes to the Financial Statements

31 December 2007

29. Convertible Notes (Continued)

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

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

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

Notes to the Financial Statements

31 December 2007

30. Deferred Tax

Group

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

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

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

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

Notes to the Financial Statements

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31. Share Capital

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

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

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

Notes:

- (i) Pursuant to the capital reorganization completed on 22 June 2006, 658,501,863 issued shares were consolidated into 131,700,372 shares on the basis of every 5 shares consolidated into 1 share. The nominal value of each issued consolidated share was then reduced from HK\$0.1 each to HK\$0.01 each by way of a reduction of capital. Accordingly, an amount of HK\$64,533,183 from the share capital account was applied towards the elimination of part of the accumulated losses of the Company.
- (ii) 395,101,116 new ordinary shares of the Company were issued under the Open Offer on 25 July 2006, proceed of approximately HK\$23.05 million was being raised as working capital.

Notes to the Financial Statements

31 December 2007

31. Share Capital (Continued)

- (iii) During the year, convertible notes with principal amount of HK\$57,020,000 were converted into 570,200,000 ordinary shares at a conversion price of HK\$0.10 per share.
- (iv) 150,000,000 new ordinary shares of the Company had been issued at a placing price of HK\$0.165 per share on 18 June 2007, proceed of approximately HK\$24,415,000 was being raised as working capital.

32. Share Option Scheme

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

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

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

Notes to the Financial Statements

31 December 2007

32. Share Option Scheme (Continued)

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

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

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

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

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

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33. Employee Award Plan

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

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

$$(\text{Vesting Price} - \text{Award price}) \times \text{Award Number}$$

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

The following tables set out the movement in the Plan:

Year ended 31 December 2007

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

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

Notes to the Financial Statements

31 December 2007

34. Reserves

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

Company

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

Notes to the Financial Statements

31 December 2007

34. Reserves (Continued)

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

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

35. Disposal of Subsidiaries

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

Notes to the Financial Statements

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35. Disposal of Subsidiaries (Continued)

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

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

36. Related Party Transactions

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

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

Notes to the Financial Statements

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36. Related Party Transactions (*Continued*)

(a) (*Continued*)

Notes:

- (i) Management fee was charged at a rate mutually agreed between the Group and the related company in which certain directors of the Company's subsidiary have beneficial interests, by reference to sharing of office premises and supplies, and manpower in provision of administrative services to the Group.
 - (ii) Sales to a jointly controlled entity were carried out at cost.
 - (iii) Purchases from a jointly controlled entity were carried out in accordance with the negotiated prices with reference to market price.
 - (iv) Management fee income was charged at a rate mutually agreed between the Group and a jointly controlled entity and based on the cost of the administrative services provided by the Group.
 - (v) Subsidy received from a jointly controlled entity was based on a pre-agreed fixed amount.
 - (vi) Management fee income was charged by the Company based on the cost of manpower in provision of human resource services to the subsidiaries.
- (b) On 15 August 2007, Better Point Limited ("Better Point"), a wholly-owned subsidiary of the Company, entered into an agreement with Austen Limited ("Austen") in which Mr. Richard Yen, a director of the Company, has interest, to establish CR Hong Kong Limited ("CR Hong Kong") which will principally engage in the holding of licensing rights including without limitation the investment in design, manufacturing and distribution of fashion and life style product of the brand called Cynthia Rowley.
- (c) The Group's related company has guaranteed the trust receipt loans and bank overdrafts made to the Group's subsidiary up to HK\$4,000,000 and HK\$1,000,000 respectively at nil consideration. At the balance sheet date, such guarantee has been released by the related company.

37. Contingent Liabilities

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

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38. Operating Lease Arrangements

The Group leases certain retail shops and office premises under operating lease arrangements. Leases for retail shops and office premises are negotiated for terms ranging from 1 to 3 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

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

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

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

39. Commitments

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

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

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

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39. Commitments (Continued)

(b) Capital commitments

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

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

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

The transaction is yet to be approved by the shareholders.

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

Notes to the Financial Statements

31 December 2007

39. Commitments (*Continued*)

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

40. Post Balance Sheet Events

The following events have occurred subsequent to 31 December 2007:

- (a) On 4 February 2008, the Board announced that the Company proposes to raise funds ranging from approximately HK\$56.86 million to approximately HK\$57.00 million, before expenses, by way of the Rights Issue of not less than 997,601,190 Rights Shares and not more than 999,977,190 Rights Shares at the Subscription Price of HK\$0.057 per Rights Share. The basis of the Rights Issue is four Rights Shares for every five existing ordinary shares of the Company held on 12 March 2008. Further details of the transaction are also set out in a prospectus, circular and an announcement of the Company dated 14 March 2008, 25 February 2008 and 4 February 2008, respectively.
- (b) On 18 February 2008, Better Point Limited ("Better Point"), a directly wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Austen Limited to purchase its entire interests in CR Hong Kong Limited ("CR Hong Kong") which is a jointly controlled entity of Better Point. Upon the completion of the acquisition, CR Hong Kong becomes an indirectly wholly owned subsidiary of the Company.
- (c) On 18 February 2008, the Company entered into a subscription agreement (as amended by a supplemental agreement dated 7 March 2008) with Chung Chiu Limited ("Chung Chiu") whereby Chung Chiu agreed to subscribe for the convertible bonds in the principal amount of HK\$40,000,000 to be issued by the Company for a term of 3 years with a coupon rate of 2% per annum. Further details of the transaction are also set out in a circular and an announcement of the Company dated 12 March 2008 and 20 February 2008, respectively.

41. Financial Risk Management Objectives And Policies

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

Notes to the Financial Statements

31 December 2007

41. Financial Risk Management Objectives And Policies (Continued)

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

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

Interest rate risk

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

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

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

Foreign currency risk

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

Notes to the Financial Statements

31 December 2007

41. Financial Risk Management Objectives And Policies (Continued)

Foreign currency risk (Continued)

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

Liquidity risk

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

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

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

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

Notes to the Financial Statements

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41. Financial Risk Management Objectives And Policies (Continued)

Liquidity risk (Continued)

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

Credit risk

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

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

Notes to the Financial Statements

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42. Capital Management

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

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

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

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

Notes to the Financial Statements

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43. Comparative

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

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

44. Approval of the Financial Statements

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

Financial Summary

	Year Ended 31/12/2007 HK\$'000	Period ended 31/12/2006 HK\$'000	Year ended 31/3/2006 HK\$'000	Year ended 31/3/2005 HK\$'000	Year ended 31/3/2004 HK\$'000
Results					
Profit/(loss) attributable to shareholders	<u>(92,240)</u>	<u>1,148</u>	<u>(17,726)</u>	<u>(17,163)</u>	<u>(47,099)</u>
Assets and liabilities					
Total assets	<u>45,717</u>	<u>102,385</u>	<u>454</u>	<u>17,832</u>	<u>31,065</u>
Total liabilities	<u>(33,964)</u>	<u>(70,837)</u>	<u>(6,280)</u>	<u>(12,690)</u>	<u>(8,758)</u>
Shareholders' funds/(deficit)	<u>11,753</u>	<u>31,548</u>	<u>(5,826)</u>	<u>5,142</u>	<u>22,307</u>