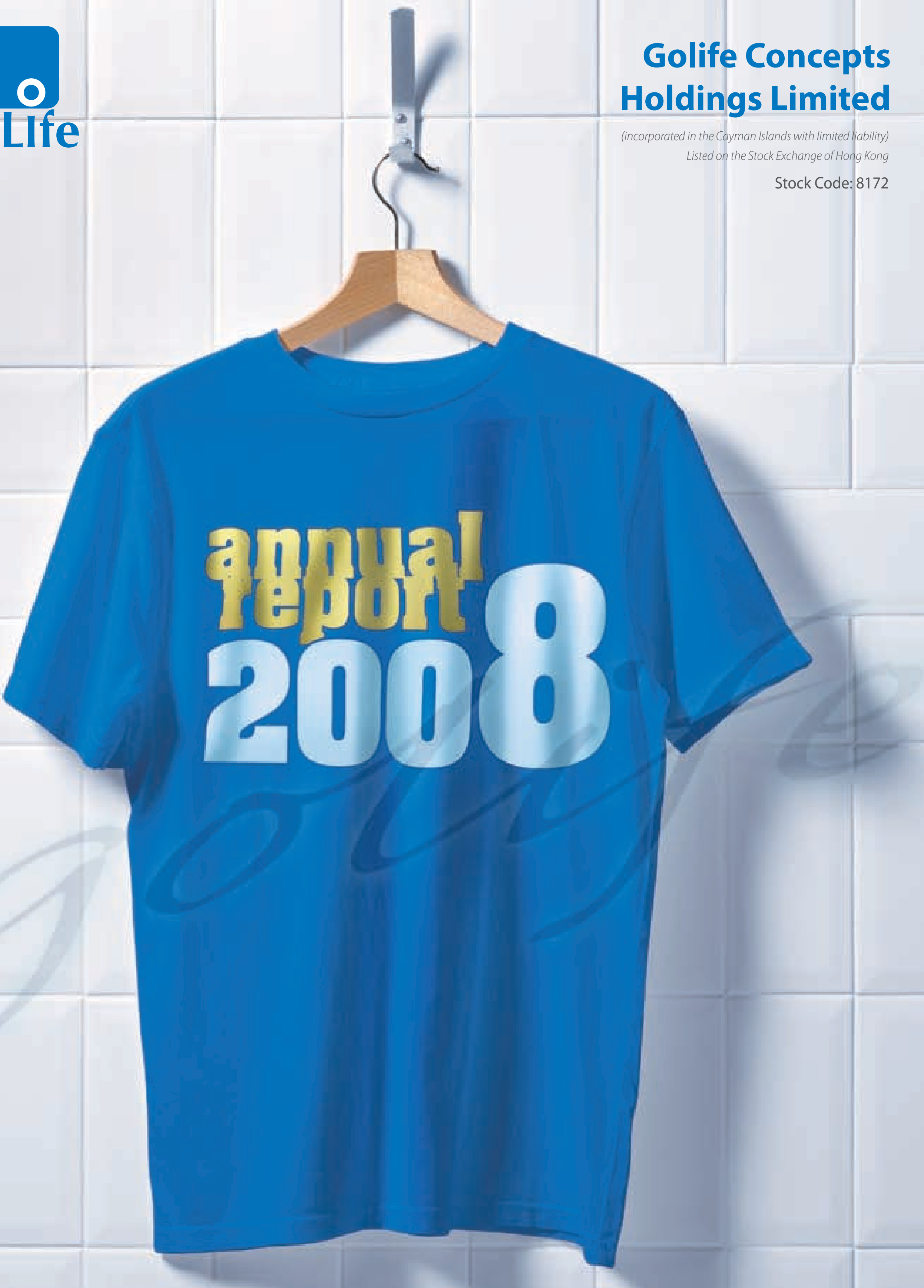
GoLife

Golife Concepts Holdings Limited

(incorporated in the Cayman Islands with limited liability)
Listed on the Stock Exchange of Hong Kong

Stock Code: 8172



www.golife.com.hk

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective 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 Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "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 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

Executive Directors

LAI Hok Lim *(Chairman)*
GOUW San Bo, Elizabeth *(Chief Executive Officer)*
LEE Chan Wah

Non-Executive Directors

Duncan CHIU

Independent Non-Executive Directors

YIP Tai Him
LAW Yiu Sang, Jacky
CHIO Chong Meng

Company Secretary

LEE Chan Wah

Compliance Officer

GOUW San Bo, Elizabeth

Auditors

Vision A. S. Limited
Certified Public Accountants

Authorised Representatives

LAI Hok Lim
LEE Chan Wah

Remuneration Committee

LAI Hok Lim
YIP Tai Him
LAW Yiu Sang, Jacky
CHIO Chong Meng

Audit Committee

YIP Tai Him
LAW Yiu Sang, Jacky
CHIO Chong Meng

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
Hang Seng 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

Unit 1611, 16/F
Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

Corporate Information

Legal Advisors

As to Hong Kong Law
Michael Li & Co

As to Cayman Islands Law
Conyers Dill and Pearman

Corporate Website

http://www.golife.com.hk

GEM Stock Code

8172

Financial Highlights

	Year ended 31/12/2008 HK$'000	Year ended 31/12/2007 HK$'000	Change %
Revenue			
Turnover	**71,599**	60,598	18
Profitability			
Gross profit	**37,356**	37,768	(1)
Loss before tax	**(73,641)**	(92,240)	(20)
Loss attributable to shareholders	**(73,641)**	(92,240)	(20)
Net worth			
Shareholders' fund/(deficit)	**(42,260)**	11,753	(460)
Per share			
Loss per share	**(27.81) cents**	(43.62) cents	(36)

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Golife Concepts Holdings Limited (the "Company"), I would like to present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

The global financial turmoil has had an unprecedented negative effect on economic conditions and consumer sentiment worldwide and has caused significant damage to the global economy affecting consumers in all markets. This will undoubtedly have a negative effect on markets in the Greater China region. Despite the Company's turnover in 2008 increased to HK$71,599,000 from HK$60,598,000 in 2007, representing a growth of 18.15% over the previous year, the Group recorded a loss attributable to shareholders of approximately HK$73,641,000. In face of the worst global economic downturn in a century, the Board had adopted a very cautious approach to its further development strategies. In addition, the Group had raised funds from the capital market in order to strengthen its capital base during the year.

PROSPECTS AND APPRECIATION

During the year, the global financial crisis has begun to affect consumer spending in the Greater China region. As the management expects that this financial crisis will be prolonged for a few more quarters, the management will streamline the Group's operations by terminating the operations of part of the fashion brands and implement cost control measures.

On 29 January 2009, the Company announced that Amazing Goal International Limited ("AG"), a wholly-owned subsidiary of the Company, entered into a subscription agreement on 19 January 2009 pursuant to which Chung Chiu (PTC) Limited ("CC"), an associate of a connected person of the Company, has conditionally agreed to subscribe and AG has conditionally agreed to allot and issue subscription shares to CC at a consideration of US$50. The subscription shares represent 50% of the entire share capital of AG as enlarged by the allotment and issue of the subscription shares. Upon completion, AG will cease to be a subsidiary of the Company and will become a jointly controlled entity of the Company. The Company's interests in AG will be accounted for by proportionate consolidation under HKAS 31 "Interests in Joint Ventures". The Directors believe that the subscription will provide the Group with an opportunity to restructure the loss-making operations of the Group and reallocate the resources of the Group on other business operations of the Group upon completion of the acquisition of the property located at Beijing, the PRC as set out in the circular of the Company dated 23 January 2009.

Looking forward, the streamline of the Group's business operations will enable the Group to operate in a relatively cost-effective manner. The acquisition of the Beijing property will provide a stable source of revenue to the Group. The Group will not only continue to focus on its business in relation to the distribution of high-end apparel and accessories, but also continue to seek for new investment opportunities in other areas such as property investment in order to diversify the Group's revenue base by entering into industries that are less affected by the expected persistent economic downturn.

Chairman's Statement

Finally, I would like to thank our Board, management and staff for their contributions to the Group. I would also like to extend my sincere gratitude to our shareholders, business partners, customers and suppliers for their continued supports.

Lai Hok Lim
Chairman

Hong Kong, 10 March 2009

Management Discussion and Analysis

Financial Review

Turnover of the Group was approximately HK$71,599,000 for the year ended 31 December 2008, representing an increase of 18% compared with last year. Gross profit was HK$37,356,000, representing approximately 52% of turnover. Gross profit margin dropped as compared with 62% last year mainly due to sales discounts offered in the weak retail market. Loss attributable to shareholders after tax was HK$73,641,000. Within the total losses, HK$22,433,000 was attributed by the termination of the acquisition of Financière Solola in April 2008 and certain related financing exercises. Excluding the one-time losses that were attributed from the termination of this acquisition, the Group's net loss attributable to shareholders was HK$51,208,000.

Besides the one-time losses, certain administrative expenses like rental expenses and staff costs increased mainly due to opening of new shops and provisions made arising from early termination of shop tenancies. During the year under review, the Group decided to cease the operations for three of its four fashion brands, namely Anya Hindmarch, Paule Ka and Cynthia Rowley in Hong Kong and Taiwan due to the effects of the financial crisis on luxury retail consumption. The Group believes that these effects will be long-lasting and decided to adopt a prudent strategy in terms of its luxury fashion retail business.

Business Review

Distribution business for two luxury European brands, Anya Hindmarch, and Paule Ka, continued to grow steadily. British accessory brand Anya Hindmarch remained as the Group's main revenue contributor accounting for 63% of the Group's turnover. Turnover from Anya Hindmarch was HK$44,962,000, of which 66% was derived in Hong Kong and the remaining 34% from Taiwan. Turnover from the Paris-based women's wear brand Paule Ka was HK$18,636,000.

Distribution business of the Group's 50% owned designer jewellery brand, Life of Circle, achieved satisfactory results through 3 POS in Hong Kong. During the year, distribution business for Life of Circle achieved a turnover of HK$7,501,000. The Group believes the Life of Circle brand has enormous long-term potential and it is a matter of time for the brand to reach the critical mass.

On 26 November 2008, Mega Shell Services Limited ("MS"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Riche (BVI) Limited ("Riche"), a wholly-owned subsidiary of China Star Investment Holdings Limited of which its issued shares are listed on the Main Board of the Stock Exchange. Pursuant to the sale and purchase agreement, MS has agreed to purchase the entire issued share capital and the outstanding shareholders' loan of Shinhan-Golden Faith International Development Limited ("SG") and World East Investments Limited ("WE") for a total consideration of HK$211,466,310. The consideration shall be satisfied by the Company in the manner that: (a) HK$5,884,597 by procuring the Company to allot and issue 117,691,940 consideration shares to Riche; (b) HK$100,000,000 by procuring the Company to issue convertible bond to Riche; (c) subject to the adjustment as provided in the sale and purchase agreement, HK$5,581,713 shall be payable in cash by MS to Riche; and (d) HK$100,000,000 by procuring the Company to issue promissory note to Riche. SG and WE are the shareholders of a joint-venture company, namely 北京莎瑪房地產開發有限公司 (the "JV Company"), a company incorporated in the People's Republic of China (the "PRC"). The JV Company is the registered and beneficial owner of a property located in Inner Jianggou Gate of Dongcheng District, Beijing, the PRC. The property has been utilised as a high-end serviced apartment for rental purpose. The property has commenced operation in late June 2008 and is managed by SHAMA, one of the leading providers of boutique serviced apartments in the Hong Kong real estate market. The details of the transaction were set out in the circular of the Company dated 23 January 2009 and was approved by the shareholders in the extraordinary general meeting held on 16 February 2009.

Liquidity and Financial Resources

At 31 December 2008, the Group had total assets of approximately HK$26,244,000 (2007: HK$45,717,000), including cash and bank balances of approximately HK$5,366,000 (2007: HK$3,587,000). The increase in cash and bank balances was mainly contributed by cash inflow generated from financing activities during the year.

To achieve a higher return from working capital, the Group also held short-term investments, mainly in equity listed in Hong Kong, totaling HK$231,000.

During the year under review, the Group financed its operation with internally generated cash flows and the proceeds from the issuance of convertible bonds and placing of new shares.

On 11 June 2008, the Company issued a convertible bond in the principal amount of HK$6,200,000 for a term of one year with coupon rate of 2% per annum. The convertible bond is convertible into shares of the Company at an initial conversion price of HK$0.025, subject to adjustment, at any time after the date of issue and before the maturity date. HK$3,000,000 convertible bond had been converted into 26,526,315 shares during the year (as adjusted due to the completion of the share consolidation of five issued and unissued shares into one consolidated share taken place on 13 August 2008). The outstanding principal amount of the convertible bond was HK$3,200,000 at 31 December 2008.

On 16 July 2008, the Company issued a convertible bond in the principal amount of HK$7,000,000 for a term of three years with coupon rate of 2% per annum. The convertible bond is convertible into shares of the Company at an initial conversion price of HK$0.025, subject to adjustment, at any time after the date of issue and before the maturity date. The outstanding principal amount of the convertible bond was HK$7,000,000 at 31 December 2008.

On 25 September 2008, the Company issued a convertible bond in the principal amount of HK$35,000,000 for a term of three years with zero coupon rate. The convertible bond is convertible into shares of the Company at an initial conversion price of HK$0.125 per share, subject to adjustment, at any time after the date of issue and before the maturity date. The outstanding principal amount of the convertible bond was HK$35,000,000 at 31 December 2008.

On 10 December 2008, the Company raised approximately HK$3,975,000, before expense, by way of placing of 53,000,000 new shares to independent investors at a price of HK$0.075 per share. The net proceeds of HK$3,935,000 were utilised to finance the proposed acquisition of the investment properties in the PRC by the Group.

At 31 December 2008, the Group did not have any charge on its assets.

Management Discussion and Analysis

At 31 December 2008, the Group had total borrowings of approximately HK$12,119,000, which included HK$11,074,000 with maturity within one year. All borrowings were denominated in Hong Kong dollar.

Treasury Policies

The Group's major exposure in foreign currency risk is arising from purchase transactions denominated in pound sterling and euro. Forward contracts were considered and entered into for hedging foreign currency risk.

Commitments

At 31 December 2008, the Group had operating lease commitments of HK$28,798,000 and purchase commitments of HK$113,714,000.

Contingent Liabilities

As at 31 December 2008, a directly wholly-owned subsidiary of the Company, GL Retailing (Hong Kong) Limited ("GLHK"), was a defendant in a pending litigation and dispute arising from early termination of license agreements for a brand name product raised by GLHK. The licensor claims through the French Court, directly against GLHK only, but none of the directors or the Company, for (i) the outstanding purchase commitments under the license agreements, (ii) image compensation suffered by the Licensor and (iii) penalty in the sum of EUR6,374,745 (equivalent to approximately HK$70,122,000). The directors consider that the claim is enormously overstated for the reason that (i) it is unreasonable for the licensor to claim the total future purchase commitments which represent future commitments instead of any loss incurred by the licensor, and (ii) the directors do not agree that the licensor has incurred any loss on its image. The Company is now seeking legal advice on the litigation and an estimate of the final result of the litigation cannot be made. The directors consider that the claim is too remote and will be limited to a small fraction of the sum being claimed. No provision has been made in the financial statement for the year.

Employees

At 31 December 2008, the Group had 64 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.

Significant Investment

The Group did not enter into any new significant investment during the year ended 31 December 2008.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

The Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies for the year ended 31 December 2008.

Future Plan for Material Investments and Capital Assets

Save as the proposed acquisition of the PRC investment properties as mentioned in the "Management Discussion and Analysis" section, the Group does not have any concrete plan for material investments or capital assets for the coming year.

Share Consolidation, Change in Board Lot Size, Capital Reorganisation and Change in Domicile

Pursuant to the resolutions passed on 12 August 2008, share consolidation was effected on 13 August 2008 that every five issued shares and unissued shares be consolidated into 1 consolidated share ("Consolidated Shares"). Upon the share consolidation became effective, the board lot size for trading of shares of the Company has been changed from 30,000 shares to 20,000 Consolidated Shares.

Pursuant to the resolutions passed on 9 February 2009, the domicile of the Company will be changed from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. Capital reorganisation will be effected by way of comprising (a) share consolidation that every ten shares of HK$0.05 each in the issued and unissued share capital be consolidated into one consolidated share of HK$0.50 each of the Company ("Consolidated Shares"); (b) capital reduction that the par value of all issued Consolidated Shares from HK$0.50 each to HK$0.01 each by canceling the paid-up capital to the extent of HK$0.49 on each issued Consolidated Share; (c) diminution of the par value of each of the authorised but unissued Consolidated Shares from HK$0.50 each to HK$0.01 each by a diminution of HK$0.49 on each authorised but unissued Consolidated Share. The change of domicile and capital reorganisation has not yet been completed as at the date of this report.

Profiles of Directors and Senior Management

Directors

Executive Directors

Chairman and Executive Director

LAI Hok Lim

Aged 49, is a practicing solicitor in Hong Kong since 1989. He graduated from the University of Hong Kong with a Bachelor of Arts Degree and holds a Bachelor of Arts (Law) Degree from the University of Sussex in the United Kingdom and a Bachelor of Law Degree from Beijing University in the People's Republic of China. He was appointed as an executive director and the chairman on 10 November 2008 and 16 November 2008 respectively.

Chief Executive Officer and Executive Director

GOUW San Bo, Elizabeth

Aged 37, Ms. Gouw holds a master's degree in accounting and finance from the London School of Economics and Political Science. Ms. Gouw is the founder of GL Retailing (Hong Kong) Limited and has been serving as Managing Director since 2001. She was a Chartered Financial Analyst and previously held the position of fund manager for an asset management company based in the United Kingdom. She also served as a research analyst for a major European securities firm. She was appointed as Executive Director of the Group in July 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.

Executive Director

LEE Chan Wah

Aged 40, has over 16 years experience in auditing and accounting areas. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. He joined the Group in November 2008.

Non-executive Directors

CHIU Duncan

Aged 34, Mr. Chiu has been a Non-Executive Director of the Group since 2006.

Mr. Chiu graduated with a bachelor's degree in business administration from Pepperdine University of California, USA in 1996. He 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 All-China Youth Federation, Vice Chairman of Henan Provincial Youth Federation and Member of The Chinese People's Political Consultative Conference, Shanghai Committee. He also serves as the Managing Director and Chief Executive Officer of Far East Holdings International Limited, and as a Non-Executive Director of both Far East Hotels & Entertainment Limited and Chinasoft International Limited, all of which are listed on The Stock Exchange of Hong Kong Limited.

Profiles of Directors and Senior Management

Independent non-executive Directors

YIP Tai Him

Aged 38, has over 15 years of experience in auditing, accounting and corporate finance. He is a member of the Institute of Chartered Accountants in England and Wales, and Hong Kong Institute of Certified Public Accountants. Mr. Yip is currently an independent non-executive director of Wing Lee Holdings Limited, China Cyber Port (International) Company Limited, UURG Corporation Limited and Vinco Financial Group Limited, all of which are listed on The Stock Exchange of Hong Kong Limited.

LAW Yiu Sang, Jacky

Aged 44, holds a bachelor of laws degree from Manchester Metropolitan University. He is a member of the Hong Kong Institute of Arbitrators. From 2006 to 2007, Mr. Law was a member of The Chartered Institute of Arbitrator. Mr. Law has previously worked in a number of different law firms and has over 18 years experience in assisting in management and legal documentation.

CHIO Chong Meng

Aged 39, holds a bachelor of arts degree from York University in Canada. She has worked with a reputable hotel chain in Macau for a number of years and acquired extensive hotel management experience in the area of sales, finance and business support. She is now the general manager of a hotel in Macau.

Senior Management

Head – Corporate Planning and Administration

GOUW Kar Yiu, Carl

Aged 32, 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 an Ambassador of Hong Kong Design Centre. 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. Mr. Gouw has been the Group's Head of Corporate Planning & Administration since 2007 and has been a director of GL Retailing (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.

Financial Controller

TSANG Yin Chiu, Stanley

Aged 34, he holds a bachelor degree in business administration and has over 12 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. 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.

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 2008.

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 Listing 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 recognised 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 summarised 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 seven Directors: three executive Directors, one non-executive Director 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 12 to 13.

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 2008, the Board comprised seven Directors, including three executive Directors, namely Ms. GOUW San Bo, Elizabeth, Mr. LAI Hok Lim and Mr. LEE Chan Wah, one non-executive Director, namely Mr. Duncan CHIU and three independent non-executive Directors, Mr. YIP Tai Him, Mr. LAW Yiu Sang, Jacky, and Ms. CHIO Chong Meng. Mr. LAI Hok Lim is the Chairman of the Board. One of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise.

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

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

Independence

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

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. LAI Hok Lim 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, 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 2008, 22 meetings were held. Details of the attendance of the Directors at the meetings of the Board and its respective Committees are as follows:

Name of Director	Notes	**Board Meeting attended/ eligible to attend**	**Audit Committee attended/ eligible to attend**	**Remuneration Committee attended/ eligible to attend**
Executive Directors				
Ms. GOUW San Bo, Elizabeth		6/18	N/A	N/A
Mr. Richard YEN	(1)	4/7	N/A	N/A
Mr. LAI Hok Lim	(2)	12/12	N/A	1/1
Mr. LEE Chan Wah	(3)	12/12	N/A	N/A
Non-executive Directors				
Mr. LO Mun Lam, Raymond	(4)	7/7	N/A	1/1
Mr. Duncan CHIU		2/18	N/A	N/A
Ms. YU Wai Yin, Vicky	(5)	0/3	N/A	N/A
Independent non-executive Directors				
Mr. LUM Pak Sum	(6)	7/18	4/4	1/2
Mr. SUM Chun Ho	(7)	6/12	4/4	1/1
Mr. WAN Kwok Pan	(7)	6/12	4/4	1/1
Mr. YIP Tai Him	(8)	6/6	N/A	1/1
Mr. LAW Yiu Sang, Jacky	(8)	6/6	N/A	1/1
Ms. CHIO Chong Meng	(9)	N/A	N/A	N/A

Notes:

(1) Mr. Richard YEN resigned from his position as an executive director with effect from 16 November 2008.

(2) Mr. LAI Hok Lim was appointed as an executive director with effect from 10 November 2008 and the chairman and a member of remuneration committee with effect from 16 November 2008.

(3) Mr. LEE Chan Wah was appointed as an executive director with effect from 10 November 2008.

(4) Mr. LO Mun Lam, Raymond was re-designated from an executive director to a non-executive director on 28 May 2008. He resigned from his position as a non-executive director with effect from 16 November 2008.

(5) Ms. YU Wai Yin, Vicky resigned from her position as a non-executive director with effect from 28 May 2008.

(6) Mr. LUM Pak Sum resigned from his position as an independent non-executive director, a member of audit committee and remuneration committee with effect from 1 January 2009.

(7) Mr. SUM Chun Ho and Mr. WAN Kwok Pan resigned from his position as an independent non-executive director, a member of audit committee and remuneration committee with effect from 13 December 2008.

(8) Mr. YIP Tai Him and Mr. LAW Yiu Sang, Jacky was appointed as an independent non-executive director, a member of audit committee and remuneration committee with effect from 13 December 2008.

(9) Ms. CHIO Chong Meng was appointed as an independent non-executive director, a member of audit committee and remuneration committee with effect from 1 January 2009.

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 polices of the Directors and senior management. The remuneration committee consists of all three Independent non-executive Directors and an executive Director, namely Mr. YIP Tai Him, Mr. LAW Yiu Sang, Jacky, Ms. CHIO Chong Meng and Mr. Lai Hok Lim.

During the year under review, two meetings was held by the remuneration committee.

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 2008, the remuneration in respect of audit services provided by the auditors, Vision A.S. Limited, amounted to HK$371,000.

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 2008, 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 2008, has been reviewed by the audit committee.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in rules 5.48 to 5.67 to the GEM Listing Rules as its own code of conduct for dealings in securities of the Company by Directors (the "Code"). The Company, having made specific enquiry of all Directors, confirms that its Directors have complied with the required standard set out in the Code during the financial year ended 31 December 2008.

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 2008 annual general meeting and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board and the Chairman of the audit committee attended the annual general meeting in 2008 to answer questions at the meeting.

Separate resolutions were proposed at the annual general meeting in 2008 on each substantial issue, including the election of individual directors.

Conclusion

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

Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. Details of the activities of its subsidiaries are set out in note 20 to the financial statements.

Results

The results of the Group for year ended 31 December 2008 are set out in the consolidated income statement on page 31 of this annual report.

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

Financial summary

The summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 102 of this annual report.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

Share capital and share options

Details of the movements in the Company's share capital and share options during the year are set out in notes 32 and 33 to the financial statements respectively.

Reserves

Details of the movement in the reserves of the Group and the Company during the year are set out in note 35 to the financial statements.

Purchase, Sale or Redemption of Shares

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association and there is no restriction against such rights under the law of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Convertible bonds

Details of the movements in convertible bonds during the year are set out in note 30 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 2008, the Company had no reserve for distribution.

Charitable donations

Charitable donations made by the Group during the year amounted to HK$2,000 (2007: HK$112,000).

Post balance sheet events

Details of significant events occurring after the balance sheet date are set out in note 41 to the financial statements.

Connected transations

CR Hong Kong (Trading) Limited ("CRHKT"), a wholly-owned subsidiary of the Company, entered into a distribution agreement and a supplemental agreement with CR Hong Kong Limited ("CRHK"), a jointly controlled entity of the Group, on 15 August 2007 and 24 August 2007 respectively, pursuant to which, amongst the others, CRHK has agreed to grant exclusive rights to CRHKT to sell, market and distribute products of the brand "Cynthia Rowley" ("Distribution Products") in Hong Kong.

As CRHK was an associate of Mr. Richard YEN, an executive Director of the Company then, CRHK was a connected person of the Company. The distribution agreement, the supplemental agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Rule 20.14 of the GEM Listing Rules. Such agreements and continuing connected transactions were approved by shareholders at an extraordinary general meeting of the Company on 4 October 2007.

Report of the Directors

The independent non-executive Directors of the Company have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Company or of its subsidiaries (together the "Group"); (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditor of the Company has confirmed in a letter to the board to the effect that the continuing connected transactions (i) had received approval of the Board; (ii) were entered into in accordance with the terms of the relevant agreement governing such transactions; and (iii) did not exceed the respective cap amounts for the year ended 31 December 2008.

The actual total purchases of the Distribution Products by CRHKT from CRHK for the year ended 31 December 2008 was approximately HK$977,000 and the respective annual cap is HK$1,000,000.

Sufficiency of public float

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

Directors

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

Executive Directors

Ms. GOUW San Bo, Elizabeth	
Mr. Richard YEN	*(resigned on 16 November 2008)*
Mr. LAI Hok Lim	*(appointed on 10 November 2008)*
Mr. LEE Chan Wah	*(appointed on 10 November 2008)*

Non-executive Directors

Mr. Duncan CHIU	
Mr. LO Mun Lam, Raymond	*(re-designated from executive Director to non-executive Director on 28 May 2008 and resigned on 16 November 2008)*
Ms. YU Wai Yin, Vicky	*(resigned on 28 May 2008)*

Independent non-executive Directors

Mr. LUM Pak Sum	*(resigned on 1 January 2009)*
Mr. SUM Chun Ho	*(resigned on 13 December 2008)*
Mr. WAN Kwok Pan	*(resigned on 13 December 2008)*
Mr. YIP Tai Him	*(appointed on 13 December 2008)*
Mr. LAW Yiu Sang, Jacky	*(appointed on 13 December 2008)*
Ms. CHIO Chong Meng	*(appointed on 1 January 2009)*

In accordance with article 87 of the Company's articles of association, Mr. YIP Tai Him and Mr. LAW Yiu Sang, Jacky would retire and, being eligible, offer themselves for re-election.

Mr. LAI Hok Lim and Mr. LEE Chan Wah were appointed as executive Directors by the Board on 10 November 2008. According to Article 86(3), each of Mr. Lai Hok Lim and Mr. Lee Chan Wah shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. As such, each of Mr. LAI Hok Lim and Mr. LEE Chan Wah would retire and, being eligible, offer himself for re-election.

Directors' service contracts

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

Directors' and Chief Executives' Interest and Short Positions in Shares, Underlying Shares and Debentures of The Company and Its Associated Corporations

At 31 December 2008, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM) of the Stock Exchange (the "GEM Listing Rules"), were as follows:–

Long positions in share options

Name of Director	Interest in shares	Interest in underlying shares	Total interest in shares	Percentage of the Company's issued share capital
Mr. Duncan CHIU	–	198,000 (Note)	198,000	0.06%

Note:

The number of shares have been adjusted due to completion of share consolidation on 13 August 2008. Mr. Duncan CHIU is deemed to be interested in 198,000 shares which would fall to be issued upon exercise of the 198,000 share options of the Company.

Save as disclosed above, at 31 December 2008, none of the directors, or chief executive of the Company or their associates 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 would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

Share option schemes

Particulars of the Company's share option schemes are set out in note 33 to the financial statements.

Employee Award Plan

Particulars of the Company's employee award plan are set out in note 34 to the financial statements.

Arrangement to Purchase Shares or Debentures

Other than the share option schemes disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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.

Competing Interests

At 31 December 2008, none of the directors, the substantial shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

Substantial Shareholders

At 31 December 2008, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long position in ordinary shares of HK$0.05 each of the Company

Name of shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Percentage of the Company's issued share capital
China Star Investment Holdings Limited	Interest of controlled corporation (Note 1)	–	9,658,152,810	9,658,152,810	999.99%
Riche (BVI) Limited	Beneficial owner (Note 1)	–	9,658,152,810	9,658,152,810	999.99%
Brilliant Arts Multi-Media Holdings Limited	Beneficial owner (Note 2)	–	2,000,000,000	2,000,000,000	724.83%
China Star Entertainment Limited	Beneficial owner (Note 3)	–	1,200,000,000	1,200,000,000	434.89%
CHAN Mei Sau, Teresina	Beneficial owner (Note 4)	–	313,684,211	313,684,211	113.68%
CHU Yuet Wah	Personal and interest of controlled corporation (Note 5 and 6)	9,524,720	279,681,928	289,206,648	29.54%
Kingston Securities Limited	Beneficial owner (Note 6)	–	279,681,928	279,681,928	28.57%
MA Siu Fong	Interest of controlled corporation (Note 6)	–	279,681,928	279,681,928	28.57%
LIM Hung Chun	Interest of controlled corporation (Note 7)	–	32,000,000	32,000,000	9.72%
Win Win Fortune Limited	Beneficial owner (Note 7)	–	32,000,000	32,000,000	9.72%
CHEUNG Pui Kay	Beneficial owner (Note 8)	3,500,000	24,000,000	27,500,000	8.36%
HO Pui Sau	Beneficial owner	17,640,000	–	17,640,000	6.39%

Notes:

(1) Riche (BVI) Limited ("Riche") is deemed to be interested in 9,658,152,810 shares pursuant to the conditional sale and purchase agreement dated 26 November 2008 entered into between Riche and the Company. As Riche is wholly-owned by China Star Investment Holdings Limited ("China Star"), a company listed on the Main Board of the Stock Exchange, China Star is deemed to be interested in such 9,658,152,810 shares.

(2) Brilliants Arts Multi-Media Holding Limited ("Brilliant Arts"), a company listed on the GEM Board of the Stock Exchange, is deemed to be interested in 2,000,000,000 shares pursuant to the conditional subscription agreement dated 26 November 2008 entered into between Brilliants Arts and the Company.

(3) China Star Entertainment Limited ("CSE"), a company listed on the Main Board of the Stock Exchange, is deemed to be interested in 1,200,000,000 shares pursuant to the conditional subscription agreement dated 26 November 2008 entered into between CSE and the Company.

(4) Ms. CHAN Mei Sau, Teresina, is the holder of convertible bonds with aggregate principal amount of HK$38,200,000 which can be converted into 313,684,211 shares. Ms. CHAN Mei Sau, Teresina is deemed to be interested in 313,684,211 shares through her interest in the Company's convertible bonds.

(5) Ms. CHU Yuet Wah is the beneficial owner of 150,000 shares. 9,374,720 shares are held by Best China Limited which is wholly and beneficially owned by Ms. CHU Yuet Wah. Adding the 279,681,928 shares that she is deemed to be interested through Kingston Securities Limited ("Kingston Securities") as stated at Note (6) below, Ms. CHU Yuet Wah is deemed to be interested in 289,206,648 shares.

(6) As detailed in the Company's announcements dated 28 November 2008, Kingston Securities is the underwriter of the open offer of not more than 279,681,928 offer shares on the basis of two offer shares for every five existing shares held on the record date pursuant to the underwriting agreement entered into between Kingston Securities and the Company. Kingston Securities is deemed to be interested in the 279,681,928 shares pursuant to the underwriting agreement. Ms. CHU Yuet Wah and Ms. MA Siu Fong own 51% and 49% interest in Kingston Securities respectively.

(7) Win Win Fortune Limited, which is wholly and beneficially owned by Mr. LIM Hung Chun, is deemed to be interested in 32,000,000 shares through its interest in the convertible bonds in the principal amount of HK$4,000,000 issued by the Company.

(8) Mr. CHEUNG Pui Kay is the beneficial owner of 3,500,000 shares. Adding the 24,000,000 shares that he is deemed to be interested through his interest in the convertible bonds in the principal amount of HK$3,000,000 issued by the Company. He is interested in a total of 27,500,000 shares.

Save as disclosed above, at 31 December 2008, the Company has not been notified by any persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Retirement benefits scheme

Particulars of the retirement benefits scheme of the Group are set out in Note 11 to the financial statements.

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	57%
– five largest supplier combine	100%

At no time during the year did the directors, an associates of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major customers or suppliers noted above.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprises the three independent non-executive directors namely, Mr. YIP Tai Him, Mr. LAW Yiu Sang, Jacky and Ms. CHIO Chong Meng. During the year, the audit committee held four meetings to review the Group's annual report, half-year report and quarterly report. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

Remuneration Committee

A remuneration committee has been established with written terms of reference in accordance with the requirements of the Code of Corporate Governance Practices. The remuneration committee comprises three independent non-executive directors, namely Mr. YIP Tai Him, Mr. LAW Yiu Sang, Jacky and Ms. CHIO Chong Meng and one executive director, Mr. LAI Hok Lim. The principal responsibilities of the remuneration committee include recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management, the determination of specific remuneration packages of all executive directors and senior managements, and review and approve performance-based remuneration.

Compliance with Rules 5.48 to 5.67 of the GEM Listing Rules

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less that exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors have complied with such code of conduct and the required standard of dealings regarding directors' securities throughout the year ended 31 December 2008.

Confirmation of Independence

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the GEM Listing Rules and considers all the independent non-executive directors to be independent.

Change of Company Secretary

On 28 May 2008, Mr. TSANG Yin Chiu, Stanley resigned and Mr. LAI Siu Chung was appointed as the Company Secretary of the Company. On 10 November 2008, Mr. LAI Siu Chung resigned and Mr. LEE Chan Wah was appointed as the company secretary.

Auditors

Cheung & Siu had resigned as auditors of the Company with effect from 4 December 2008 and Vision A. S. Limited have been appointed as new auditors of the Company with effect from 19 January 2009 to fill the causal vacancy.

The consolidated financial statements for the year ended 31 December 2008 have been audited by Vision A. S. Limited who will retire and, being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting.

On behalf of the Board

GOUW San Bo, Elizabeth
Chief Executive Officer and Executive Director

Hong Kong, 10 March 2009

Independent Auditor's Report

Vision A. S. Limited Certified Public Accountants
泓信會計師行有限公司

Room A, 15/F,
Fortis 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 31 to 101, which comprise the consolidated and Company balance sheets as at 31 December 2008, 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 2008 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.

Vision A. S. Limited
Certified Public Accountants
Hong Kong
10 March 2009

Cheung Man Yau, Timothy
Practising Certificate No. : P01417

Consolidated Income Statement

Year ended 31 December 2008

	Notes	**2008 HK$'000**	2007 HK$'000
TURNOVER			
Continuing operation	7	**71,599**	60,536
Discontinued operation		**–**	62
		71,599	60,598
Cost of sales		**(34,243)**	(22,830)
Gross profit		**37,356**	37,768
Other revenues and gains	7	**4,334**	6,212
Selling and distribution costs		**(3,190)**	(3,600)
Administrative expenses		**(91,215)**	(55,264)
Other expenses and losses	8	**(18,428)**	(75,556)
Finance costs	9	**(2,498)**	(1,800)
PROFIT/(LOSS) BEFORE TAX	10		
Continuing operation		**(73,641)**	(92,580)
Discontinued operation		**–**	340
		(73,641)	92,240
Tax	12		
Continuing operation		**–**	–
Discontinued operation		**–**	–
		–	–
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS			
Continuing operation		**(73,641)**	(92,580)
Discontinued operation	14	**–**	340
		(73,641)	(92,240)
Loss per share	16		
From continuing and discontinued operations			
Basic		**HK(27.81) cents**	HK(43.46) cents
Diluted		**N/A**	N/A
From continuing operation			
Basic		**HK(27.81) cents**	HK(43.62) cents
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	1,977	6,712
Goodwill	18	–	–
Intangible assets	19	–	–
Investments in jointly controlled entities	21	–	–
Available-for-sale investment	22	–	–
Total non-current assets		1,977	6,712
CURRENT ASSETS			
Inventories	23	7,578	8,992
Trade receivables	24	2,794	4,195
Deposits, prepayments and other receivables		6,995	13,914
Financial assets at fair value through profit or loss	25	231	966
Derivative financial instruments	26	–	840
Amounts due from jointly controlled entities	21	–	562
Tax recoverable		1,303	–
Pledged deposits		–	5,949
Cash and bank balances		5,366	3,587
Total current assets		24,267	39,005
CURRENT LIABILITIES			
Trade and bills payables	27	1,623	2,593
Other payables and accruals		17,266	15,114
Derivative financial instruments	26	2,153	459
Interest-bearing bank and other borrowings	28	11,074	13,563
Convertible bonds	30	3,157	–
Amounts due to jointly controlled entities	21	1,025	675
Tax payable		587	755
Total current liabilities		36,885	33,159
Net current assets/(liabilities)		(12,618)	5,846
Total assets less current liabilities		(10,641)	12,558
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	1,045	805
Convertible bonds	30	30,574	–
Total non-current liabilities		31,619	805
Net assets/(liabilities)		(42,260)	11,753
EQUITY			
Issued capital	32	16,446	12,470
Reserves		(58,706)	(717)
		(42,260)	11,753

Gouw San Bo, Elizabeth **Lee Chan Wah**

Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	20	**–**	1
Total non-current assets		**–**	1
CURRENT ASSETS			
Deposits, prepayments and other receivables		**100**	7,098
Amounts due from subsidiaries	20	**4,503**	13,353
Amounts due from jointly controlled entities	21	**–**	–
Cash and bank balances		**3,545**	1
Total current assets		**8,148**	20,452
CURRENT LIABILITIES			
Other payables and accruals		**3,459**	5,654
Amounts due to subsidiaries	20	**–**	3,107
Convertible bonds	30	**3,157**	–
Total current liabilities		**6,616**	8,761
Net current assets		**1,532**	11,691
Total assets less current liabilities		**1,532**	11,692
NON-CURRENT LIABILITIES			
Convertible bonds	30	**30,574**	–
Total non-current liabilities		**30,574**	–
Net assets/(liabilities)		**(29,042)**	11,692
EQUITY			
Issued capital	32	**16,446**	12,470
Reserves	35	**(45,488)**	(778)
		(29,042)	11,692

Gouw San Bo, Elizabeth **Lee Chan Wah**

Consolidated Statement Of Changes In Equity

Year ended 31 December 2008

	Issued capital HK$'000	Share premium HK$'000	Equity component of convertible bonds HK$'000	Share-based payments reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	5,268	55,642	11,316	–	(40,678)	31,548
Redemption of convertible bonds – *note 30*	–	–	(195)	–	–	(195)
Conversion of convertible bonds – *note 30*	5,702	53,546	(11,121)	–	–	48,127
Placing of new shares – *note 32*	1,500	23,250	–	–	–	24,750
Cost of placing of new shares – *note 32*	–	(335)	–	–	–	(335)
Recognition of equity-settled share-based payments – *note 33*	–	–	–	98	–	98
Net loss for the year	–	–	–	–	(92,240)	(92,240)
At 31 December 2007 and 1 January 2008	12,470	132,103	–	98	(132,918)	11,753
Issue of convertible bonds – *note 30*	–	–	12,823	–	–	12,823
Conversion of convertible bonds – *note 30*	1,326	1,674	(130)	–	–	2,870
Placing of new shares – *note 32*	2,650	1,325	–	–	–	3,975
Cost of placing of new shares – *note 32*	–	(40)	–	–	–	(40)
Net loss for the year	–	–	–	–	(73,641)	(73,641)
At 31 December 2008	16,446	135,062	12,693	98	(206,559)	(42,260)

Consolidated Cash Flow Statement

Year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Loss before tax:		
Continuing operation	(73,641)	(92,580)
Discontinued operation	–	340
Adjustments for:		
Finance costs	2,498	1,800
Interest income	(631)	(247)
Amortisation of intangible assets	–	673
Depreciation of property, plant and equipment	4,128	2,991
Loss on disposal of property, plant and equipment	–	501
Impairment of available-for-sale investment	1,400	–
Impairment of goodwill	–	75,552
Impairment of intangible assets	–	4,047
Impairment of inventories	1,114	–
Impairment of property, plant and equipment	2,966	–
Impairment of trade receivables	–	490
Impairment of amounts due from jointly controlled entities	3,834	–
Provision for loss on early termination of shop tenancies	7,781	–
Equity-settled share option expenses	–	98
Share of loss of jointly controlled entities	–	4
Gain on disposal of subsidiaries	–	(385)
Waiver of other payable	(1,600)	–
Loss/(gain) on disposal of financial assets at fair value through profit or loss	3,746	(4,813)
Loss on disposal of derivative financial instruments	229	–
Fair value gain on financial assets at fair value through profit or loss	(21)	(4)
Fair value loss/(gain) on derivative financial instruments	2,153	(381)
Operating cash flow before movements in working capital	(46,044)	(11,914)
Decrease/(increase) in inventories	300	(6,349)
Decrease/(increase) in trade receivables	1,401	(2,476)
Decrease/(increase) in deposits, prepayments and other receivables	5,519	(9,316)
Decrease in derivative financial instruments	152	92
Decrease in trade and bills payables	(970)	(523)
Increase/(decrease) in other payables and accruals	(4,029)	12,237
Cash used in operations	(43,671)	(18,249)
Interest received	631	247
Hong Kong profits tax paid	(1,471)	(321)
NET CASH USED IN OPERATING ACTIVITIES	(44,511)	(18,323)

Consolidated Cash Flow Statement

Year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES		
Disposal of subsidiaries	–	50
Purchases of shareholding in jointly controlled entities	–	(4)
Advances to jointly controlled entities	(3,272)	(562)
Purchases of items of property, plant and equipment	(2,359)	(7,249)
Proceeds on disposals of financial assets at fair value through profit or loss	29,362	71,717
Purchases of financial assets at fair value through profit or loss	(32,352)	(61,676)
Decrease/(increase) in pledged deposits	5,949	(5,949)
NET CASH USED IN INVESTING ACTIVITIES	(2,672)	(3,673)
FINANCING ACTIVITIES		
Interest paid	(1,274)	(1,056)
Proceeds from issue of convertible bonds	48,200	–
Proceeds from issue of shares	3,935	24,415
Redemption of convertible bonds	–	(1,000)
New bank loans raised	4,520	3,807
Repayment of bank loans	(7,279)	(7,202)
Increase in amounts due to jointly controlled entities	350	675
Increase/(decrease) in trust receipt loans	(3,021)	4,577
Repayment of capital element of finance leases	(396)	(395)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	45,035	(23,821)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,148)	1,825
Cash and cash equivalents at beginning of year	2,780	955
CASH AND CASH EQUIVALENTS AT END OF YEAR	632	2,780
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,366	3,587
Bank overdrafts	(4,734)	(807)
	632	2,780

Notes To The Financial Statements

31 December 2008

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 Unit 1611, 16th Floor, Shun Tak Centre, West Tower, 168-200 Connaught Road, 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, jewellery and accessories.

2. Basis of Preparation

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

The Group and the Company incurred a loss attributable to the equity holders of the Company of approximately HK$73,641,000 and HK$60,362,000, respectively for the year ended 31 December 2008. In addition, the Group had net current liabilities of approximately HK$12,618,000, and the Group and the Company had net liabilities of approximately HK$42,260,000 and HK$29,042,000, respectively, as at 31 December 2008. Nevertheless, the directors of the Company have adopted the going concern basis in the preparation of these financial statements based on the followings:

(i) On 13 January 2009, the Company raised approximately HK$6.6 million before expenses, by way of open offer of 131,570,645 offer shares at a price of HK$0.05 per offer share on the basis of two offer shares for every five existing shares. The net proceeds of approximately HK$5.7 million will be utilised for the acquisition of investment properties in the People's Republic of China (the "PRC").

Notes To The Financial Statements

31 December 2008

2. Basis of Preparation *(Continued)*

(ii) On 29 January 2009, the Company raised additional fund of HK$60 million by issuance of convertible bonds to China Star Entertainment Limited, of which its issued shares are listed on the Main Board of the Stock Exchange, with a term of 10 years with zero coupon rate (the "CSE Bonds"). The proceeds raised from the issuance of the CSE Bonds will be utilised as general working capital and/or repayment its borrowings as and when needed.

(iii) Pursuant to a subscription agreement entered into between the Company and Brilliant Arts Multi-Media Holding Limited, of which its issued shares are listed on the GEM Board of the Stock Exchange, an aggregate principal amount of HK$100 million convertible bonds will be issued in five tranches of HK$20 million each (the "BA Bonds"). The maturity date of the BA Bonds is the date falling on the tenth anniversary of the date of issue of relevant tranches of the BA Bonds. The transaction was approved by the shareholders of the Company in the extraordinary general meeting held on 19 January 2009. The directors of the Company consider that the BA Bonds represent standby credit facilities to the Group, which allow the Group to raise additional funds for its general working capital and/or repayment of its borrowings as and when needed.

(iv) On 26 November 2008, Mega Shell Services Limited ("MS"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Riche (BVI) Limited ("Riche"), a wholly-owned subsidiary of China Star Investment Holdings Limited of which its issued shares are listed on the Main Board of the Stock Exchange. Pursuant to the sale and purchase agreement, MS has agreed to purchase the entire issued share capital and the outstanding shareholders' loan of Shinhan-Golden Faith International Development Limited ("SG") and World East Investments Limited ("WE") for a total consideration of HK$211,466,310. The consideration shall be satisfied by the Company in the manner that: (a) HK$5,884,597 by procuring the Company to allot and issue 117,691,940 consideration shares to Riche; (b) HK$100,000,000 by procuring the Company to issue convertible bond to Riche; (c) subject to the adjustment as provided in the sale and purchase agreement, HK$5,581,713 shall be payable in cash by MS to Riche; and (d) HK$100,000,000 by procuring the Company to issue promissory note to Riche. SG and WE are the shareholders of a joint-venture company, namely 北京莎瑪房地產開發有限公司 (the "JV Company"), a company incorporated in the PRC. The JV Company is the registered and beneficial owner of a property located in Inner Jianggou Gate of Dongcheng District, Beijing, the PRC. The property has been utilised as a high-end serviced apartment for rental purpose. The transaction was approved by the shareholders in the extraordinary general meeting held on 16 February 2009 and has not yet been completed as at the date of this report.

Notes To The Financial Statements

31 December 2008

2. Basis of Preparation *(Continued)*

(v) On 19 January 2009, Amazing Goal International Limited ("AG"), a wholly-owned subsidiary of the Company, entered into a subscription agreement pursuant to which Chung Chiu (PTC) Limited ("CC"), an associate of a connected person of the Company, has conditionally agreed to subscribe and AG has conditionally agreed to allot and issue subscription shares to CC. The subscription shares represent 50% of the entire share capital of AG as enlarged by the allotment and issue of the subscription shares. Upon completion, AG will cease to be a subsidiary of the Company and will become a jointly controlled entity of the Company. The Company's interests in AG will be accounted for by proportionate consolidation under HKAS 31 "Interests in Joint Ventures". The net current liabilities and net liabilities of AG and its subsidiaries are HK$47,802,000 and HK$46,870,000, respectively, as at 31 December 2008 on a combined basis. The proposed transaction is subject to the approval by the independent shareholders of the Company. As at the date of this report, the circular containing the details of the transaction has not yet been despatched and the date of the extraordinary general meeting has not yet been concluded.

In the opinion of the directors of the Company, in light of the measures taken to date, together with the expected results of other measures in progress, the Group and the Company will have sufficient working capital for its current requirements and it is reasonable to expect the Group and the Company to return to a commercially viable going concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's and the Company's financial and liquidity position at 31 December 2008.

Should the Group and the Company be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

Notes To The Financial Statements

31 December 2008

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial statements of the year.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

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

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

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 2008. 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.

Notes To The Financial Statements

31 December 2008

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

Subsidiaries

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

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

Joint ventures

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

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised 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 HKAS 39, 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.

Notes To The Financial Statements

31 December 2008

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

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.

Goodwill

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

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

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

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

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

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

Notes To The Financial Statements

31 December 2008

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

Goodwill *(Continued)*

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

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

An impairment loss recognised 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 2008

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 2008

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 2008

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.

Notes To The Financial Statements

31 December 2008

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

Investment and other financial assets *(Continued)*

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

Fair value

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

Notes To The Financial Statements

31 December 2008

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at financial assets at fair value through profit or loss, of which interest income is included in net gains or losses.

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.

Notes To The Financial Statements

31 December 2008

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

Impairment of financial assets *(Continued)*

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.

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.

Notes To The Financial Statements

31 December 2008

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's financial liabilities are generally classified into financial liabilities at fair value through profit of loss and other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

– it has been incurred principally for the purpose of repurchasing in the near future; or

– it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

Notes To The Financial Statements

31 December 2008

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

Financial liabilities and equity *(Continued)*

Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade payables and other payables) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as fair value through profit or loss, of which the interest expense is included in net gains or losses.

Interest-bearing loans and borrowings

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

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

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

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability components is determined using a market rate for an equivalent non-convertible bond; 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 bonds based on the allocation of proceeds to the liability and components when the instruments are first recognised.

Notes To The Financial Statements

31 December 2008

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

Derecognition of financial liabilities

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

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 Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate 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 of derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

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

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

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

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

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

Notes To The Financial Statements

31 December 2008

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

Derivative financial instruments and hedging *(Continued)*

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

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

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

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

The Group 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 Group 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.

Notes To The Financial Statements

31 December 2008

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

Derivative financial instruments and hedging *(Continued)*

Cash flow hedges

Cash flow hedges are hedges of the Group'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 accounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

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

Hedges of a net investment

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

Inventories

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

Notes To The Financial Statements

31 December 2008

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

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 2008

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

Income tax *(Continued)*

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

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

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

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

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

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

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

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 2008

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 recognised in profit or loss.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

Notes To The Financial Statements

31 December 2008

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

Employee benefits *(Continued)*

Employment Ordinance long service payments (Continued)

A provision is recognised in respect of probable future long service payments, if material, based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Pension scheme

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

Borrowing costs

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

Foreign currencies

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

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

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

Notes To The Financial Statements

31 December 2008

5. Significant Accounting Judgements and Estimates

Judgements

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

Impairment of assets

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of 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.

Notes To The Financial Statements

31 December 2008

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 segment

The Group's principal activity is distribution of high-end apparel, jewellery and accessories and has only one major business segment. Accordingly, no segment information by business is presented.

(ii) Geographical segments

The following tables present revenue, assets and capital expenditures for the Group's geographical segments for the years ended 31 December 2008 and 2007.

	Hong Kong		**Taiwan**		**Consolidated**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Turnover:						
Continuing operation	**56,442**	47,108	**15,157**	13,428	**71,599**	60,536
Discontinued operation	**–**	62	**–**	–	**–**	62
External turnover	**56,442**	47,170	**15,157**	13,428	**71,599**	60,598
Assets:						
Segment assets	**25,129**	38,407	**1,115**	7,310	**26,244**	45,717
Other segment information:						
Capital expenditure	**783**	4,475	**1,576**	2,774	**2,359**	7,249

Notes To The Financial Statements

31 December 2008

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:

	2008 HK$'000	2007 HK$'000
TURNOVER		
CONTINUING OPERATION		
Distribution of high-end apparel, jewellery and accessories	**71,599**	60,536
DISCONTINUED OPERATION		
Design, development and sales of location-based technology devices and applications	–	62
	71,599	60,598
OTHER REVENUES AND GAINS		
Bank interest income	**631**	247
Exchange gain, net	**1,962**	–
Fair value gain on financial assets at fair value through profit or loss	**21**	4
Fair value gain on derivative financial instruments	–	381
Gain on disposal of subsidiaries	–	385
Gain on disposal of financial assets at fair value through profit or loss	–	4,813
Management services income	**120**	340
Waiver of other payable	**1,600**	–
Sundry income	–	42
	4,334	6,212

Notes To The Financial Statements

31 December 2008

8. Other Expenses and Losses

	2008 HK$'000	2007 HK$'000
Break-up fee for a terminated acquisition (note)	**12,300**	–
Fair value loss on derivative financial instruments	**2,153**	–
Impairment of goodwill	**–**	75,552
Loss on disposal of financial assets at fair value through profit or loss	**3,746**	–
Loss on disposal of derivative financial instruments	**229**	–
Share of loss of jointly controlled entities	**–**	4
	18,428	75,556

Note: Pursuant to an acquisition agreement in relation to the acquisition of 96.57% of the issued shares in Fìnancière Solola entered into by the Company dated 8 November 2007, a break-up fee of EUR1,000,000 was paid to the sellers upon the termination of the acquisition agreement due to the transaction voted down by the shareholders of the Company at the extraordinary general meeting held on 31 March 2008.

9. Finance Costs

	2008 HK$'000	2007 HK$'000
Interest on convertible bonds	**1,232**	744
Interest on bank loans and overdrafts wholly repayable within five years	**1,214**	1,004
Interest on finance leases	**52**	52
	2,498	1,800

Notes To The Financial Statements

31 December 2008

10. Loss Before Tax

Loss before tax is arrived at after charging:

	2008 **HK$'000**	2007 HK$'000
Cost of inventories sold	**34,243**	22,830
Auditor's remuneration	**371**	360
Amortisation of intangible assets	**–**	673
Depreciation of property, plant and equipment	**4,128**	2,991
Loss on disposal of property, plant and equipment	**–**	501
Exchange loss, net	**–**	378
Minimum lease payments under operating leases on land and buildings	**21,402**	15,202
Impairment of available-for-sale investment	**1,400**	–
Impairment of goodwill	**–**	75,552
Impairment of intangible assets	**–**	4,047
Impairment of inventories	**1,114**	–
Impairment of property, plant and equipment	**2,966**	–
Impairment of trade receivables	**–**	490
Impairment of amounts due from jointly controlled entities	**3,834**	–
Provision for loss on early termination of shop tenancies	**7,781**	–
Staff costs (excluding directors' remuneration)		
Salaries and allowances	**17,819**	11,778
Equity-settled share option expenses	**–**	32
Pension scheme contributions	**441**	364
	18,260	12,174

Notes To The Financial Statements

31 December 2008

11. Directors' Remuneration and Five Highest Paid Employees

The remuneration of each director for the years ended 31 December 2008 and 31 December 2007 are set out below:

Year ended 31 December 2008:

	Fees HK$'000	Salaries and allowances HK$'000	Retirement scheme contribution HK$'000	Share option benefit HK$'000	Total HK$'000
Executive directors					
Gouw San Bo, Elizabeth	–	5,889	12	–	5,901
Lai Hok Lim *(note 2)*	17	–	–	–	17
Lee Chan Wah *(note 2)*	17	–	–	–	17
Lo Mun Lam, Raymond *(note 3)*	143	–	–	–	143
Richard Yen *(note 4)*	–	874	11	–	885
Non-executive directors					
Duncan Chiu	–	–	–	–	–
Yu Wai Yin, Vicky *(note 5)*	–	–	–	–	–
Independent non-executive directors					
Yip Tai Him *(note 6)*	6	–	–	–	6
Law Yiu Sang, Jacky *(note 6)*	6	–	–	–	6
Lum Pak Sum	96	–	–	–	96
Sum Chun Ho, Sam *(note 7)*	57	–	–	–	57
Wan Kwok Pan *(note 7)*	34	–	–	–	34
Total	376	6,763	23	–	7,162

Notes To The Financial Statements

31 December 2008

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

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					
Gouw San Bo, Elizabeth *(note 1)*	–	1,227	6	–	1,233
Lo Mun Lam, Raymond	380	–	–	–	380
Richard Yen	500	94	4	33	631
Leung Tak Wah *(note 8)*	–	246	7	–	253
Non-executive directors					
Duncan Chiu	–	–	–	33	33
Yu Wai Yin, Vicky	33	–	–	–	33
Independent non-executive directors					
Lum Pak Sum	221	–	–	–	221
Sum Chun Ho, Sam	60	–	–	–	60
Wan Kwok Pan	49	–	–	–	49
Total	1,243	1,567	17	66	2,893

Notes:

1. Ms. Gouw San Bo was appointed as an executive director on 11 July 2007.
2. Mr. Lai Hok Lim and Mr. Lee Chan Wah were appointed as executive directors on 10 November 2008.
3. Mr. Lo Mun Lam, Raymond was redesigned as a non-executive director from an executive director on 28 May 2008. He resigned as a non-executive director on 16 November 2008.
4. Mr. Richard Yen resigned as an executive director on 16 November 2008.
5. Ms. Yu Wai Yin, Vicky resigned as a non-executive director on 28 May 2008.
6. Mr. Yip Tai Him and Mr. Law Yiu Sang, Jacky were appointed as independent non-executive directors on 13 December 2008.
7. Mr. Sum Chun Ho, Sam and Mr. Wan Kwok Pan resigned as independent non-executive directors on 13 December 2008.
8. Mr. Leung Tak Wah resigned as an executive director on 11 July 2007.

Notes To The Financial Statements

31 December 2008

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

During the year, Gouw San Bo, Elizabeth agreed to waive part of yearly bonus of HK$2,186,020. Apart from these, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Of the five highest paid individuals, two (2007: three) were directors of the Company and their remuneration has been included in the directors' remuneration disclosures above and the disclosure below.

The remuneration of Mr. Richard Yen after his resignation as a director during the year ended 31 December 2008 and Ms. Gouw San Bo, Elizabeth before the appointment of a director during the year ended 31 December 2007 are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, allowances and other benefits in kind	**45**	953
Retirement benefits scheme contributions	**1**	6
	46	959

Details of the emoluments of the remaining three (2007: two) non-directors, highest paid employees of the Group for the year are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, allowances and other benefits in kind	**6,775**	2,915
Share option benefit	**–**	32
Retirement benefits scheme contributions	**36**	12
	6,811	2,959

Notes To The Financial Statements

31 December 2008

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

The number of non-director, highest paid individuals whose remuneration fell within the following bands, is as follows:

	Number of employee	
	2008	2007
Nil to HK$1,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–
	3	2

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 (2007: nil).

During the year ended 31 December 2007, 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 33 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.

Notes To The Financial Statements

31 December 2008

12. Tax

No provision for Hong Kong or overseas profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong or overseas during the year (2007: Nil).

A reconciliation of the tax expense applicable to 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 is as follows:

	2008	2007
	HK$'000	HK$'000
Loss before tax	**(73,641)**	(92,240)
Tax at the domestic income tax rate	**(12,151)**	(16,142)
Effect of different tax rates in other jurisdictions	**(158)**	(74)
Income not subject to tax	**–**	(70)
Expenses not deductible for tax	**6,102**	15,708
Deductible temporary differences not recognised	**2,352**	30
Tax losses not recognised	**3,855**	548
Tax charge at effective rate	**–**	–

13. Net Loss Attributable to Shareholders

The net loss attributable to shareholders for the year ended 31 December 2008 dealt with in the financial statements of the Company is approximately HK$60,362,000 (2007: HK$89,146,000).

Notes To The Financial Statements

31 December 2008

14. Discontinued Operation

On 20 September 2007, the Group ceased 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 holds a subsidiary called Satellite Devices Limited. Satellite Devices (BVI) Limited was an investment holding company 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 last year and gain on disposal of subsidiaries related to the discontinued operation are presented below:

	2008 HK$'000	2007 HK$'000
Turnover	–	62
Administrative expenses	–	(107)
Loss before tax	–	(45)
Gain on disposal of subsidiaries	–	385
Profit before tax	–	340
Tax	–	–
Profit attributable to shareholders	–	340

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

	2008 HK$'000	2007 HK$'000
Operating activities	–	(1)
Investing activities	–	50
Financing activities	–	–
Net cash inflow	–	49

15. Dividend

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: Nil).

Notes To The Financial Statements

31 December 2008

16. Loss Per Share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2007 has been retrospectively adjusted for the effect of the share consolidation completed during the year.

	2008	2007
	HK$'000	HK$'000
For continuing and discontinued operations		
Loss attributable to shareholders	**(73,641)**	(92,240)
For continuing operation		
Loss attributable to shareholders	**(73,641)**	(92,580)
	Number of shares	
Weighted average number of ordinary shares in issue during the year	**264,809,271**	212,248,517

Diluted loss per share is not presented as the convertible bonds and share options had anti-dilutive effects on the basic loss per share.

Notes To The Financial Statements

31 December 2008

17. Property, Plant and Equipment

Group

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 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 and 1 January 2008	8,662	1,568	1,616	11,846
Additions	2,232	127	–	2,359
At 31 December 2008	10,894	1,695	1,616	14,205
Accumulated depreciation and impairment:				
At 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 and 1 January 2008	3,874	613	647	5,134
Charge for the year	3,534	271	323	4,128
Impairment	2,753	213	–	2,966
At 31 December 2008	10,161	1,097	970	12,228
Net book value:				
At 31 December 2008	733	598	646	1,977
At 31 December 2007	4,788	955	969	6,712

The net book value of the Group's property, plant and equipment held under finance leases included in the total amounts of motor vehicles as at 31 December 2008 amounted to approximately HK$646,000 (2007: HK$969,000).

Notes To The Financial Statements

31 December 2008

18. Goodwill

Group

The amounts of the goodwill capitalized 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 January 2007	75,552
Impairment during the year	(75,552)
At 31 December 2007, 1 January 2008 and 31 December 2008	–

The goodwill was fully impaired in 2007.

Notes To The Financial Statements

31 December 2008

19. Intangible Assets

Group

	Franchise rights HK$'000
Cost:	
At 1 January 2007, 31 December 2007, 1 January 2008 and 31 December 2008	5,000
Accumulated amortization and impairment:	
At 1 January 2007	280
Amortised for the year	673
Impairment for the year	4,047
At 31 December 2007, 1 January 2008 and 31 December 2008	5,000
Net book value:	
At 31 December 2008	–
At 31 December 2007	–

Intangible assets acquired have been allocated to the cash generating unit ("CGU") of GL Retailing (Hong Kong) Limited (formerly known as 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.

The intangible assets were fully impaired in 2007.

Notes To The Financial Statements

31 December 2008

20. Interests in Subsidiaries

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares at cost	**81,191**	81,181
Impairment in value	**(81,191)**	(81,180)
	–	1
Amounts due from subsidiaries	**38,156**	17,853
Amounts due to subsidiaries	**–**	(3,107)
Impairment in value	**(33,653)**	(4,500)
	4,503	10,246
	4,503	10,247

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 to their fair values.

Particulars of the subsidiaries of the Company as at 31 December 2008 are as follows:

Name	Place of incorporation	Issued and fully paid up capital	Attributable equity interest held by the Company: Directly	Attributable equity interest held by the Company: Indirectly	Principal activities
GL Retailing (Hong Kong) Limited (Formerly known as 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
CR Hong Kong (Trading) Limited	Hong Kong	HK$300,000	–	100%	Distribution of high-end apparel and accessories

Notes To The Financial Statements

31 December 2008

20. Interests in Subsidiaries *(Continued)*

Name	Place of incorporation	Issued and fully paid up capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Golife (Management) Limited	Hong Kong	HK$10,000	100%	–	Provision of management services
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
Mega Shell Services Limited	British Virgin Islands	US$1	100%	–	Dormant

Notes To The Financial Statements

31 December 2008

21. Interests in Jointly Controlled Entities

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**4**	4	**–**	–
Share of post acquisition loss	**(4)**	(4)	**–**	–
	–	–	**–**	–
Amounts due from jointly controlled entities	**3,834**	562	**3,258**	–
Amounts due to jointly controlled entities	**(1,025)**	(675)	**–**	–
Impairment in value	**(3,834)**	–	**(3,258)**	–
	(1,025)	(113)	**–**	–

The share of post acquisition loss is limited to the cost of investments. The unrecognised share of post acquisition losses for the year is amounted to approximately HK$3,582,000 (2007: 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 2008 are as follows:

Name	Place of incorporation/ registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
LOC Limited	British Virgin Islands	50	50	50	Investment holding
Life of Circle Limited	Hong Kong	50	50	50	Wholesales of high-end jewellery and accessories
CR Hong Kong Limited	Hong Kong	50	50	50	Wholesales of high-end apparel and accessories
北京諾利富服裝有限公司	PRC	50	50	50	Distribution of high-end apparel and accessories

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

Notes To The Financial Statements

31 December 2008

21. Interests in Jointly Controlled Entities *(Continued)*

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

	2008 HK$'000	2007 HK$'000
The jointly controlled entities' assets and liabilities:		
Non-current assets	57	12
Current assets	1,876	1,400
Current liabilities	(10,547)	(2,862)
Non-current liabilities	–	–
Net liabilities	(8,614)	(1,450)
The Group's share of net assets of jointly controlled entities	–	–
The jointly controlled entities' results:		
Turnover	5,046	3,606
Cost of sales	(3,834)	(2,511)
Gross profit	1,212	1,095
Other revenues	120	–
Total expenses	(8,495)	(2,553)
Tax	–	–
Loss after tax	(7,163)	(1,458)
Group's share of loss of jointly controlled entities for the year	–	(4)
Accumulated unrecognised share of loss of jointly controlled entities	(4,307)	(725)

Notes To The Financial Statements

31 December 2008

22. Available-for-sale Investment

	Group	
	2008 **HK$'000**	2007 HK$'000
Unlisted equity investment, at cost	**1,400**	–
Impairment in value	**(1,400)**	–
	–	–

The above investment represents investment in an unlisted equity security issued by a private entity incorporated in Hong Kong. It is measured at cost less impairment at each balance sheet date because the directors of the Group are of the opinion that its fair values cannot be measured reliably.

23. Inventories

	Group	
	2008 **HK$'000**	2007 HK$'000
Merchandise	**7,578**	8,992

At 31 December 2008, no inventories were carried at net realizable value (2007: Nil).

Notes To The Financial Statements

31 December 2008

24. Trade Receivables

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

	Group	
	2008	2007
	HK$'000	HK$'000
0 – 30 days	**1,960**	2,430
31 – 60 days	**643**	1,503
61 – 90 days	**–**	24
Over 90 days	**681**	728
	3,284	4,685
Less: impairment	**(490)**	(490)
	2,794	4,195

25. Financial Assets at Fair Value Through Profit or Loss

	Group	
	2008	2007
	HK$'000	HK$'000
Equity investments listed in Hong Kong, at fair value	**42**	238
Derivative financial assets, at fair value	**189**	728
	231	966

At 31 December 2008, none (2007: HK$728,000) of the Group's financial assets at fair value through profit or loss was pledged as security for the Gourp's bank borrowings.

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

Notes To The Financial Statements

31 December 2008

26. Derivative Financial Instruments

	Group			
	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward foreign currency contracts	**–**	**2,153**	840	459

The Group has two forward currency contracts outstanding as at 31 December 2008 (2007: eight) to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Fair value loss of non-hedging currency derivatives amounting to approximately HK$2,153,000 was debited to the income statement during the year (2007: a gain of HK$381,000).

27. Trade and Bills Payables

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

	Group	
	2008	2007
	HK$'000	HK$'000
0 – 30 days	**1,008**	1,707
31 – 60 days	**–**	178
61 – 90 days	**–**	13
Over 90 days	**615**	695
	1,623	2,593

GoLife

Notes To The Financial Statements

31 December 2008

28. Interest-Bearing Bank and Other Borrowings

	Group					
			2008			2007
	Effective interest rate (%)	**Maturity or interest reprice date whichever is earlier**	**HK$'000**	Effective interest rate (%)	Maturity or interest reprice date whichever is earlier	HK$'000
Current						
Finance lease payables – note 29	**3.25%**	**2009**	**395**	3.25%	2008	395
Bank overdrafts – secured	**6%-7.75%**	**on demand**	**4,734**	6.75%-7.75%	on demand	807
Bank loans – secured	**3.75%-8.75%**	**2009**	**1,626**	8.75%-9.75%	2008	5,021
Trust receipt loans – secured	**5%-7.75%**	**2009**	**4,319**	6.75%-7.75%	2008	7,340
			11,074			13,563
Non-current						
Finance lease payables – note 29	**3.25%**	**2010-2011**	**247**	3.25%	2009-2011	643
Bank loans – secured	**3.75%-8.75%**	**2010-2011**	**798**	8.75%-9.75%	2009-2010	162
			1,045			805
			12,119			14,368

Notes To The Financial Statements

31 December 2008

28. Interest-Bearing Bank and Other Borrowings *(Continued)*

	2008 HK$'000	2007 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**10,679**	13,168
In the second year	**773**	162
In the third to fifth years, inclusive	**25**	–
	11,477	13,330
Other borrowings payable:		
Within one year or on demand	**395**	395
In the second year	**222**	395
In the third to fifth years, inclusive	**25**	248
	642	1,038
	12,119	14,368

The Group's banking facilities are secured by:

(i) the pledge of none (2007: HK$5,949,000) of the Group's fixed deposits;

(ii) the pledge of none (2007: HK$728,000) of the Group's financial assets at fair value through profit or loss;

(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 2008

29. 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 two to three 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		Present value of minimum lease payments	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Amount payable:				
Within one year	**447**	447	**395**	395
In the second year	**252**	447	**222**	395
In the third year to fifth year, inclusive	**28**	280	**25**	248
Total minimum finance lease payments	**727**	1,174	**642**	1,038
Future finance charges	**(85)**	(136)		
Total net finance lease payables	**642**	1,038		
Portion classified as current liabilities – *note 28*	**(395)**	(395)		
Long term portion – *note 28*	**247**	643		

Notes To The Financial Statements

31 December 2008

30. Convertible Bonds

On 11 June 2008, the Company issued a convertible bond with principal amount of HK$6.2 million to an independent third party, JL Investments Capital Limited, for a term of one year with a coupon rate of 2% per annum. The convertible bond is convertible into shares of the Company at an initial conversion price of HK$0.025, subject to adjustment, at any time after the date of issue and before the maturity date.

On 16 July 2008, the Company issued a convertible bond with principal amount of HK$7 million to Far East Holdings International Limited, for a term of three years with a coupon rate of 2% per annum. The convertible bond is convertible into shares of the Company at an initial conversion price of HK$0.025, subject to adjustment, at any time after the date of issue and before the maturity date.

On 25 September 2008, the Company issued convertible bond with principal amount of HK$35 million to Goldig Investment Group Limited, for a term of three years with zero coupon rate. The convertible bond is convertible into shares of the Company at an initial conversion price of HK$0.125, subject to adjustment, at any time after the date of issue and before the maturity date.

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

Notes To The Financial Statements

31 December 2008

30. Convertible Bonds *(Continued)*

The convertible bonds recognised in the balance sheet of the Group and the Company are calculated as follows:

	2008 HK$'000	2007 HK$'000
Nominal value of convertible bonds at 1 January	–	59,504
Convertible bonds issued during the year	48,200	–
Equity component	(12,823)	(11,316)
Liability component at the date of issue	35,377	48,188
Conversion during the year	(2,870)	(48,127)
Redemption during the year	–	(805)
Interest expenses	1,232	744
Interest paid	(8)	–
Liability component at 31 December	33,731	–
Equity component at 1 January	–	11,316
Convertible bonds issued during the year	12,823	–
Conversion during the year	(130)	(11,121)
Redemption during the year	–	(195)
Equity component at 31 December	12,693	–

Notes To The Financial Statements

31 December 2008

31. Deferred Tax

The movements in the Group's deferred tax liabilities/(assets) during the year are as follows:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2007	6	(6)	–
Charged/(credited) to consolidated income statement	15	(15)	–
At 31 December 2007 and 1 January 2008	21	(21)	–
Charged/(credited) to consolidated income statement	(21)	21	–
At 31 December 2008	–	–	–

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

As at 31 December 2008, the Group has deductible temporary difference of approximately HK$14,772,000 (2007: approximately HK$877,000) and estimated unused tax losses of approximately HK$24,489,000 (2007: HK$1,937,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset was recognised during the year (2007: nil) due to the unpredictability of future profit streams.

32. Share Capital

	2008 HK$'000	2007 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.05 each (2007: 10,000,000,000 ordinary shares of HK$0.01 each)	**100,000**	100,000
Issued and fully paid:		
328,926,613 ordinary shares of HK$0.05 each (2007: 1,247,001,488 ordinary shares of HK$0.01 each)	**16,446**	12,470

Notes To The Financial Statements

31 December 2008

32. Share Capital *(Continued)*

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	Share premium HK'000	Total HK'000
At 1 January 2007, ordinary shares of HK$0.01 each		526,801,488	5,268	55,642	60,910
Conversion of convertible bonds	(i)	570,200,000	5,702	53,546	59,248
Placing, net	(ii)	150,000,000	1,500	22,915	24,415
At 31 December 2007 and 1 January 2008, ordinary shares of HK$0.01 each		1,247,001,488	12,470	132,103	144,573
Conversion of convertible bonds	(iii)	80,000,000	800	1,200	2,000
		1,327,001,488	13,270	133,303	146,573
Share consolidation (5 into 1)	(iv)	(1,061,601,190)	–	–	–
At 13 August 2008, ordinary shares of HK$0.05 each		265,400,298	13,270	133,303	146,573
Conversion of convertible bonds	(iii)	10,526,315	526	474	1,000
Placing, net	(v)	53,000,000	2,650	1,285	3,935
At 31 December 2008, ordinary shares of HK$0.05 each		328,926,613	16,446	135,062	151,508

Notes To The Financial Statements

31 December 2008

32. Share Capital *(Continued)*

Notes:

(i) During the year ended 31 December 2007, convertible bonds 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.

(ii) 150,000,000 new ordinary shares were issued at a placing price of HK$0.165 per share on 18 June 2007, net proceeds of approximately HK$24,415,000 was being raised as working capital.

(iii) During the year ended 31 December 2008, convertible bonds with principal amount of HK$2,000,000 were converted into 80,000,000 ordinary shares at a conversion price of HK$0.025 per share and convertible bonds with principal amount of HK$1,000,000 were converted into 10,526,315 ordinary shares at a conversion price of HK$0.095 per share.

(iv) On 13 August 2008, 1,327,001,488 issued ordinary shares were consolidated into 265,400,298 ordinary shares on the basis of every 5 issued shares consolidated into 1 consolidated share. The nominal value of each issued consolidated share was then increased from HK$0.01 each to HK$0.05 each.

(v) 53,000,000 new ordinary shares were issued at a placing price of HK$0.075 per share on 10 December 2008, net proceed of approximately HK$3,935,000 was being raised as working capital.

33. Share Option Scheme

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

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

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 2008

33. Share Option Scheme (*Continued*)

Movement in the number of share options outstanding during the year is as follows:

(a) Details of share options outstanding

Name of grantee	Date of grant	Exercise period	Adjusted exercise price (Note) HK$	Adjusted number of share options (Note)
Richard Yen	3 July 2007	3/7/2007-5/3/2012	1.095	198,000
Duncan Chiu	3 July 2007	3/7/2007-5/3/2012	1.095	198,000
Gouw Hiap Kian	3 July 2007	3/7/2007-5/3/2012	1.095	198,000

Note : The exercise price and number of share option have been adjusted due to the completion of the share consolidation on 13 August 2008.

(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 Options 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.

34. 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 on 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 a cash payment under the award if the award price exceeds the vesting price, subject to an overall limit as stated in the award letter.

Notes To The Financial Statements

31 December 2008

34. Employee Award Plan *(Continued)*

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

(Vesting Price – Award price) x Award Number

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

No grantee was entitled to any payment under the award during the year ended 31 December 2008.

35. Reserves

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

Company

	Share premium HK$'000	Equity component of convertible bonds HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	55,642	11,316	–	(43,833)	23,125
Redemption of convertible bonds – *note 30*	–	(195)	–	–	(195)
Conversion of convertible bonds – *note 30*	53,546	(11,121)	–	–	42,425
Placing of new shares – *note 32*	23,250	–	–	–	23,250
Cost of placing of new shares – *note 32*	(335)	–	–	–	(335)
Recognition of equity-settled share-based payments – *note 33*	–	–	98	–	98
Net loss for the year	–	–	–	(89,146)	(89,146)
At 31 December 2007 and 1 January 2008	132,103	–	98	(132,979)	(778)
Issue of convertible bonds – *note 30*	–	12,823	–	–	12,823
Conversion of convertible bonds – *note 30*	1,674	(130)	–	–	1,544
Placing of new shares – *note 32*	1,325	–	–	–	1,325
Cost of placing of new shares – *note 32*	(40)	–	–	–	(40)
Net loss for the year	–	–	–	(60,362)	(60,362)
At 31 December 2008	135,062	12,693	98	(193,341)	(45,488)

Notes To The Financial Statements

31 December 2008

35. Reserves *(Continued)*

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 2008, in the opinion of the directors, there is no Company's reserves available for distribution to shareholders (2007: nil).

36. Disposal of Subsidiaries

	2008 HK$'000	2007 HK$'000
Net liabilities disposal of:		
Amounts due to group companies	–	(100,521)
Accrued liabilities	–	(335)
	–	(100,856)
Gain on disposal of subsidiaries	–	385
Amounts waived by group companies	–	100,521
	–	50
Satisfied by:		
Cash	–	50

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

	2008 HK$'000	2007 HK$'000
Cash consideration	–	50
Cash and bank balances disposed of	–	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	50

Notes To The Financial Statements

31 December 2008

37. Related Party Transactions

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

		Group	
	Notes	**2008 HK$'000**	2007 HK$'000
Sales to a jointly controlled entity	(i)	**–**	11
Management fee income charged to a jointly controlled entity	(ii)	**120**	340
Purchases from jointly controlled entities	(iii)	**4,747**	3,446
Management fee charged by a related company	(iv)	**984**	984
Subsidy received from a jointly controlled entity for the cost of leasehold improvements	(v)	**–**	100

		Company	
Management fee income charged to subsidiaries	(vi)	**–**	780

Notes:

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

(ii) 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.

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

(iv) 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.

(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 providing human resource services to the subsidiaries.

Notes To The Financial Statements

31 December 2008

38. Contingent Liabilities

Pending Litigation

As at 31 December 2008, GL Retailing (Hong Kong) Limited ("GLHK"), a directly wholly-owned subsidiary of the Company, was a defendant in a pending litigation and dispute arising from early termination of license agreements for a brand name product raised by GLHK. The licensor claims, through the French Court, directly against GLHK only, but none of the directors or the Company, for (i) the outstanding purchase commitments under the license agreements, (ii) image compensation suffered by the Licensor and (iii) penalty in the sum of EUR6,374,745 (equivalent to approximately HK$70,122,000). The directors consider that the claim is enormously overstated for the reasons that (i) it is unreasonable for the licensor to claim the total future purchase commitments which represent future commitments instead of any loss incurred by the licensor, and (ii) the directors do not agree that the licensor has incurred any loss on its image. The Company is now seeking legal advice on the litigation and an estimate of the final result of the litigation cannot be made. The directors consider that the claim is too remote and will be limited to a small fraction of the sum being claimed. No provision has been made in the financial statement for the year.

39. Operating Lease Arrangement

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 future minimum lease payments under non-cancelable operating leases falling due as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**17,315**	14,783
In the second to fifth years, inclusive	**11,483**	13,581
	28,798	28,364

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.

Notes To The Financial Statements

31 December 2008

39. Operating Lease Arrangement *(Continued)*

Included in the above, the following minimum lease payments as at 31 December 2008 were released owing to the cancellation of certain tenancy agreements with landlords after year end date.

	HK$'000
Within one year	6,647
In the second to fifth years, inclusive	4,832
	11,479

40. Commitments

In addition to the operating lease commitments detailed in note 39 above, the Group had the following commitments at the balance sheet date:

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

	2008 HK$'000	2007 HK$'000
Minimum purchases:		
Within one year	**28,751**	26,451
In the second to fifth years, inclusive	**84,963**	92,017
	113,714	118,468

Included in the above, the following minimum purchase commitments as at 31 December 2008 were released owing to the cancellation of license agreements in respect of brand name products with licensor after year end date.

	HK$'000
Within one year	16,471
In the second to fifth years, inclusive	39,108
	55,579

Notes To The Financial Statements

31 December 2008

40. Commitments *(Continued)*

(b) Capital commitments

	2008 HK$'000	2007 HK$'000
Contracted, but not provided for:		
Acquisition of a subsidiary	–	89,086
Legal and professional fee related to the acquisition	–	981
	–	90,067

(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 2008, the commitment on the earn-out payment not provided is with minimum of HK$1,957,000 (31 December 2007: HK$2,348,000).

(d) Pursuant to a shareholders' agreement dated 15 August 2007 entered into between Better Point Limited ("Better Point"), a wholly owned subsidiary of the Company, and Austen Limited ("Austen"), a venturer of a 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 2008, Better Point has the outstanding commitment of HK$5,532,000 (31 December 2007: HK$5,532,000) for the capital injection into CR Hong Kong.

41. Post Balance Sheet Events

The following events have occurred subsequent to 31 December 2008:

(a) On 13 January 2009, the Company issued 131,570,645 new ordinary shares at a subscription price of HK$0.05 per share, by way of open offer on the basis of two offer shares for every five existing shares. Further details of the transaction are also set out in a prospectus of the Company dated 19 December 2008.

Notes To The Financial Statements

31 December 2008

41. Post Balance Sheet Events *(Continued)*

(b) On 19 January 2009, the authorised share capital of the Company has been increased from HK$100,000,000 divided into 2,000,000,000 shares, to HK$1,500,000,000, divided into 30,000,000,000 shares by creation of 28,000,000,000 new shares pursuant to an ordinary resolution passed on the extraordinary general meeting held by the Company on 19 January 2009.

(c) On 29 January 2009, the Company issued a convertible bond with a principal value of HK$60,000,000 to China Star Entertainment Limited for a term of 10 years with zero coupon rate. Such convertible bond is convertible into shares of the Company at a conversion price of HK$0.05 per share (subject to adjustment) at any time after the date of issue of such convertible bond and before the maturity date. Further details of the transaction are also set out in the circular of the Company dated 23 December 2008.

(d) On 19 January 2009, the shareholders of the Company approved the proposed issue of a convertible bond with a principal value of HK$100,000,000 to Brilliant Arts Multi-Media Holding Limited for a term of 10 years with zero coupon rate. Further details of the transaction are also set out in the circular of the Company dated 23 December 2008.

(e) On 19 January 2009, Amazing Goal International Limited ("Amazing Goal"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Chung Chiu (PTC) Limited, an associate of a connected person of the Company. Pursuant to the subscription agreement, Amazing Goal will allot and issue 50 ordinary shares in cach at a subscription price of US$1.00 per share. The subscription constitutes a very substantial disposal on the part of the Company. The transaction is still subject to the approval of shareholders of the Company. Further details of the proposed transaction are also set out in the announcement of the Company dated 29 January 2009.

(f) On 24 December 2008, the Board announced that the Company proposed to:

(i) change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda;

(ii) effect a consolidation of every ten ordinary shares of HK$0.05 each into one consolidated ordinary share of HK$0.50 each (the "Consolidated Share");

(iii) reduce of the par value of each consolidated ordinary share from HK$0.50 each to HK$0.01 each; and

(iv) diminish the par value of the authorised but unissued consolidated ordinary shares from HK$0.50 each to HK$0.01 each.

The above proposed transactions have been approved by shareholders of the Company at the extraordinary general meeting on 9 February 2009. Further details of the proposed transactions are also set out in the circular of the Company dated 13 January 2009.

Notes To The Financial Statements

31 December 2008

41. Post Balance Sheet Events *(Continued)*

(g) On 26 November 2008, Mega Shell Services Limited, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Riche (BVI) Limited ("Riche") to acquire 100% equity interests of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and World East Investments Limited ("World East"), and all obligations, liabilities and debts owing and incurring by Shinhan-Golden and World East to Riche. Shinhan-Golden and World East effectively jointly owned a property in Beijing in the PRC.

The proposed transaction had been approved by shareholders of the Company at the extraordinary general meeting on 16 February 2009. Further details of the transaction are set out in the circular of the Company dated 23 January 2009.

(h) On 15 February 2009, GL Retailing (Hong Kong) Limited ("GLHK"), a wholly-owned subsidiary of the Company, entered into certain surrender tenancy agreements with landlords to terminate the tenancy agreements of retailing shops in Hong Kong and Taiwan.

(i) On 16 February 2009, GLHK entered into a deed of release and waiver with a licensor, pursuant to which the licenses with exclusive franchise right to the sale of the products of a brand in Hong Kong and Taiwan were terminated.

42. Financial Instruments

Categories of financial instruments

	Group	
	2008	2007
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**231**	1,806
Loans and receivables (including cash and cash equivalents)	**15,014**	21,044
	15,245	22,850
Financial liabilities		
Financial liabilities at fair value through profit or loss	**2,153**	459
Financial liabilities at amortised cost	**60,732**	31,115
	62,885	31,574

Notes To The Financial Statements

31 December 2008

43. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities, other than derivatives, comprise convertible bonds, 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 and other receivables, which arise directly from its operations.

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

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax** HK$'000	**Increase/ (decrease) in equity** HK$'000
2008			
Hong Kong dollar	**50**	**57**	**(57)**
Hong Kong dollar	**(50)**	**(57)**	**57**
2007			
Hong Kong dollar	50	67	(67)
Hong Kong dollar	(50)	(67)	67

Notes To The Financial Statements

31 December 2008

43. Financial Risk Management Objectives and Policies *(Continued)*

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 84% (2007: 87%) of the Group's purchases are denominate in currencies other than the functional currency of the operating units. The Group manages the foreign exchange exposure arising from its normal course of business activities through forward currency contracts. The management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

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

Liquidity risk

The Group 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 Group'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 2008					
Convertible bonds	–	–	3,157	30,574	33,731
Derivative financial instrument	–	2,153	–	–	2,153
Amounts due to a jointly controlled entity	1,025	–	–	–	1,025
Interest-bearing bank and other borrowings	4,734	4,481	1,859	1,045	12,119
Other payables and accruals	–	12,234	–	–	12,234
Trade and bills payable	–	1,623	–	–	1,623
	5,759	20,491	5,016	31,619	62,885

Notes To The Financial Statements

31 December 2008

43. Financial Risk Management Objectives and Policies *(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
31 December 2007					
Derivative financial instrument	–	459	–	–	459
Amounts due to a jointly controlled entity	675	–	–	–	675
Interest-bearing bank and other borrowings	807	9,360	3,396	805	14,368
Other payables and accruals	–	13,479	–	–	13,479
Trade and bills payable	–	2,593	–	–	2,593
	1,482	25,891	3,396	805	31,574

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 24 to the financial statements.

44. 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 new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 2007.

Notes To The Financial Statements

31 December 2008

44. Capital Management *(Continued)*

The Group monitors capital using a gearing ratio, which is interest-bearing borrowings divided by the total of borrowings and equity. Borrowings includes interest-bearing borrowings and convertible bonds. Equity includes total equity less equity components of convertible bonds.

	2008	2007
	HK$'000	HK$'000
Borrowings:		
Interest-bearing bank and other borrowings	**12,119**	14,368
Convertible bonds – equity and liability components	**46,424**	–
	58,543	14,368
Equity:		
Total equity	**(42,260)**	11,753
Convertible bonds – equity components	**(12,693)**	–
	(54,953)	11,753

45. Comparative Figures

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

46. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 10 March 2009.

Group Financial Summary

	Year Ended 31/12/2008 HK$'000	Year Ended 31/12/2007 HK$'000	Period ended 31/12/2006 HK$'000	Year ended 31/3/2006 HK$'000	Year ended 31/3/2005 HK$'000
Results					
Profit/(loss) attributable to shareholders	**(73,641)**	(92,240)	1,148	(17,726)	(17,163)
Assets and liabilities					
Total assets	**26,244**	45,717	102,385	454	17,832
Total liabilities	**(68,504)**	(33,964)	(70,837)	(6,280)	(12,690)
Shareholders' funds/(deficit)	**(42,260)**	11,753	31,548	(5,826)	5,142