



**Golife Concepts Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 8172)

**RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE  
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investor should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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*This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS

The board of directors (the “Board”) of Golife Concepts Holdings Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2008 together with the comparative figures for the corresponding year in 2007.

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<i>Note</i>	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
TURNOVER	4		
Continuing operation		<b>71,599</b>	60,536
Discontinued operation		–	62
		<b>71,599</b>	60,598
Cost of sales		<b>(34,243)</b>	(22,830)
Gross profit		<b>37,356</b>	37,768
Other revenues and gains	4	<b>4,334</b>	6,212
Selling and distribution costs		<b>(3,190)</b>	(3,600)
Administrative expenses		<b>(91,215)</b>	(55,264)
Other expenses and losses	5	<b>(18,428)</b>	(75,556)
Finance costs	6	<b>(2,498)</b>	(1,800)
PROFIT/(LOSS) BEFORE TAX	7		
Continuing operation		<b>(73,641)</b>	(92,580)
Discontinued operation		–	340
		<b>(73,641)</b>	92,240
Tax	8		
Continuing operation		–	–
Discontinued operation		–	–
		–	–
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS			
Continuing operation		<b>(73,641)</b>	(92,580)
Discontinued operation		–	340
		<b>(73,641)</b>	(92,240)
Loss per share	11		
From continuing and discontinued operations			
Basic		<b><u>HK(27.81) cents</u></b>	<b><u>HK(43.46) cents</u></b>
Diluted		<b><u>N/A</u></b>	<b><u>N/A</u></b>
From continuing operation			
Basic		<b><u>HK(27.81) cents</u></b>	<b><u>HK(43.62) cents</u></b>
Diluted		<b><u>N/A</u></b>	<b><u>N/A</u></b>

# CONSOLIDATED BALANCE SHEET

31 December 2008

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

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

Notes:

## 1. 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”).
- (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 need.
- (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 tranche 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 its borrowings as and when need.
- (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 Jianguo 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 announcement.

- (v) On 19 January 2009, Amazing Goal International Limited (“AG”), a wholly-owned subsidiary of the Company, entered into a subscription agreement pursuant 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 are subject to the approval by the independent shareholders of the Company. As at the date of this announcement, 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.

## **2. 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.

## 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.

### 3. 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		Group	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>Turnover:</b>						
Continuing operation	<b>56,442</b>	47,108	<b>15,157</b>	13,428	<b>71,599</b>	60,536
Discontinued operation	—	62	—	—	—	62
External turnover	<u><b>56,442</b></u>	<u>47,170</u>	<u><b>15,157</b></u>	<u>13,428</u>	<u><b>71,599</b></u>	<u>60,598</u>
<b>Assets:</b>						
Segment assets	<b>25,129</b>	38,407	<b>1,115</b>	7,310	<u><b>26,244</b></u>	<u>45,717</u>
<b>Other segment information:</b>						
Capital expenditure	<u><b>783</b></u>	<u>4,475</u>	<u><b>1,576</b></u>	<u>2,774</u>	<u><b>2,359</b></u>	<u>7,249</u>



#### 4. 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 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>TURNOVER</b>		
<b>CONTINUING OPERATION</b>		
Distribution of high-end apparel, jewellery and accessories	71,599	60,536
<b>DISCONTINUED OPERATION</b>		
Design, development and sales of location-based technology devices and applications	—	62
	<u>71,599</u>	<u>60,598</u>
<b>OTHER REVENUES AND GAINS</b>		
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
	<u>4,334</u>	<u>6,212</u>

#### 5. Other Expenses and Losses

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Break-up fee for a terminated acquisition ( <i>note</i> )	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
	<u>18,428</u>	<u>75,556</u>

*Note:* Pursuant to an acquisition agreement in relation to the acquisition of 96.57% of the issued shares in Financière 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.



## 6. Finance Costs

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
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
	<u>2,498</u>	<u>1,800</u>

## 7. Loss Before Tax

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loss before tax is arrived at after charging:		
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
	<u>18,260</u>	<u>12,174</u>

## 8. 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).

## 9. 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:

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

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

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Operating activities	–	(1)
Investing activities	–	50
Financing activities	–	–
Net cash inflow	<u>–</u>	<u>49</u>

## 10. Dividend

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

## 11. 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.

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

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

## 12. 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:

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

### 13. 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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	1,008	1,707
31 – 60 days	–	178
61 – 90 days	–	13
Over 90 days	615	695
	<u>1,623</u>	<u>2,593</u>

### 14. Contingent Liabilities

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.

### 15. Post Balance Sheet Events

- (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.
- (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 of 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 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 each 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) the 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.

- (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.

## **16. Comparative Figures**

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

### **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: Nil).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **Overview**

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 Performance**

Distribution business for two luxury European brands, Anya Hindmarch, and Paule Ka, continued to grow steadily. British accessory brand Anya Hindmarch remained as the Group's main revenue contributor accounting for 63% of the Group's turnover. Turnover from Anya Hindmarch was HK\$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 is 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.

## **Future Plans**

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 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 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.



## **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 10 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 bonds 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\$3,850,000 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.

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.

## **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 announcement.

### **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*

<b>Name of Director</b>	<b>Interest in shares</b>	<b>Interest in underlying shares</b>	<b>Total interest in shares</b>	<b>Percentage of the Company’s issued share capital</b>
Mr. Duncan CHIU	–	198,000 <i>(Note)</i>	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.

### **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) Brilliant 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 Brilliant 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.

### **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.

## **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 announcement 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.

## **Corporate Governance Practices**

The Company complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 December 2008.

## **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.



## **Review of Financial Statements by Auditors**

The Group's consolidated financial statements for the year ended 31 December 2008 as contained in this announcement have been agreed by the Company's auditors, Vision A. S. Limited.

By Order of the Board  
**GOUW San Bo, Elizabeth**  
*Chief Executive Officer and Executive Director*

Hong Kong, 10 March 2009

*As at the date of this announcement, the Board comprises 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, namely Mr. YIP Tai Him, Mr. LAW Yiu Sang, Jacky and Ms. CHIO Chong Meng.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least seven days from the date of its posting.*