THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is addressed to the shareholders of the Company in connection with special general meeting of the Company to be held on 8 June 2009. This circular is not and does not constitute an offer of, nor is it intended to invite offers for, shares in or other securities of the Company.

GoLife

Golife Concepts Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8172)

OPEN OFFER OF NOT LESS THAN 462,551,352 OFFER SHARES AND NOT MORE THAN 555,506,552 OFFER SHARES ON THE BASIS OF EIGHT OFFER SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE AND NOTICE OF SPECIAL GENERAL MEETING

Underwriter

KINGSTON SECURITIES LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders
Grand Cathay Securities (Hong Kong) Limited

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

Terms used in this cover page have the same meanings as defined in this circular.

The letter from the Independent Financial Adviser is set out on pages 27 to 38 of this circular. The letter from the Independent Board Committee is set out on page 26 of this circular.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date, which is currently expected to be Monday, 8 June 2009. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant Share certificate(s)) with the Registrar by 4:30 p.m. on Tuesday, 2 June 2009. The last day of dealings in Shares on a cum-entitlement basis is therefore expected to be Friday, 29 May 2009. The Shares will be dealt with on an exentitlement basis from Monday, 1 June 2009.

A notice convening the SGM to be held at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong at 4:30 p.m. on Monday, 8 June 2009 is set out on pages 243 to 245 of this circular. If you are unable to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's Hong Kong Branch Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM if you so wish.

The Underwriting Agreement contains provisions granting Kingston Securities, by notice in writing, the right to terminate Kingston Securities' obligations thereunder on the occurrence of certain events. Kingston Securities may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination: (1) in the absolute opinion of Kingston Securities, the success of the Open Offer would be materially and adversely affected by: (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of Kingston Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of Kingston Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of Kingston Securities is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of Kingston Securities will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout; or (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of Kingston Securities, a material omission in the context of the Open Offer; or (7) any suspension in the trading of securities generally or the Company's securities on the GEM for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement, this circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer, Kingston Securities shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Kingston Securities shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination: (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of Kingston Securities; or (2) any Specified Event comes to the knowledge of Kingston Securities.

Any such notice shall be served by Kingston Securities prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

If the Underwriting Agreement is terminated by Kingston Securities on or before the aforesaid deadline or does not become unconditional, the Open Offer will not proceed.

The Shares will be dealt in on an ex-entitlement basis from Monday, 1 June 2009 and the Open Offer is conditional. If the conditions of the Open Offer are not satisfied by the relevant date(s) or, if no such date is specified, the Latest Time for Termination or such later date or dates as Kingston Securities may agree with the Company in writing, or the Underwriting Agreement is terminated by Kingston Securities, the Open Offer will not proceed and will lapse. Any persons contemplating buying or selling Shares from the date of the Announcement up to the date on which all the conditions of the Open Offer are satisfied bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares are recommended to consult their own professional advisers.

14 May 2009

CHARACTERISTICS OF GEM

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

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

CONTENTS

In this Circular, unless the context requires otherwise, the following expressions have the following meanings:

"Announcement"	the announcement of the Company dated 23 April 2009 (as supplemented by the announcements dated 27 April 2009 and 5 May 2009) relating to, among other things, the Open Offer and the Placing
"Application Form(s)"	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
"acting in concert"	has the meaning ascribed to this term under the Takeovers Code
"AGM"	the annual general meeting of the Company held on 20 April 2009
"associates"	has the meaning ascribed to this term under the GEM Listing Rules
"Board"	the board of Directors
"Bye-laws"	the bye-laws of the Company
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Circular"	the circular to Shareholders, which will have the notice convening the SGM annexed thereto
"Circular Document"	the Circular, the notice convening the SGM and the proxy form for use at the SGM
"Companies Act"	the Companies Act 1981 of Bermuda (as amended)
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"Company"	Golife Concepts Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and its issued Shares are listed on GEM

"connected person(s)"	has the meaning ascribed to this term under the GEM Listing Rules
"Convertible Bonds"	the (i) zero coupon convertible bonds issued by the Company in the outstanding principal amount of HK$7,000,000 conferring rights to convert 8,860,759 Shares on the basis of a conversion price of HK$0.79 per Share (subject to adjustments); (ii) zero coupon convertible bonds issued by the Company in the outstanding principal amount of HK$60,000,000 conferring rights to convert 120,000,000 Shares on the basis of an initial conversion price of HK$0.50 per Share (subject to adjustments); and (iii) zero coupon convertible bonds issued by the Company in the outstanding principal amount of HK$100,000,000 conferring rights to convert 200,000,000 Shares on the basis of a conversion price of HK$0.50 per Share (subject to adjustments)
"CS Convertible Bond"	the zero coupon convertible bond in the principal amount of HK$100,000,000 issued by the Company in favour of Riche conferring rights to convert 200,000,000 Shares on the basis of a conversion price of HK$0.50 per Share (subject to adjustment)
"Director(s)"	the director(s) of the Company
"Excess Application Form(s)"	the form(s) of application for excess Offer Shares
"GEM"	Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Grand Cathay"	Grand Cathay Securities (Hong Kong) Limited, a licensed corporation to carry out types 1 (dealing in securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities as defined in Schedule 5 of the SFO being appointed as the independent f inancial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer
"Group"	the Company and its subsidiaries, including the Shinhan – Golden Faith International Development Limited and World East Investments Limited and their respective subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"HKSCC"	Hong Kong Securities Clearing Company Limited

"Independent Board Committee"	a committee of the Board, comprising all independent non-executive Directors to advise the Independent Shareholders on the Open Offer
"Independent Financial Adviser"	Grand Cathay, which have been appointed by the Company as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer
"Independent Shareholder(s)"	Shareholders other than Kingston Securities and their respective associates
"Independent Third Party(ies)"	any person or company and its ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
"Kingston Securities" or "Placing Agent" or "Underwriter"	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Latest Practicable Date"	11 May 2009, being the latest practicable date prior to the printing of this Circular for inclusion of certain information in this Circular
"Latest Time for Acceptance"	4:00 p.m. on Wednesday, 24 June 2009 or such later time or date as may be agreed between the Company and Kingston Securities, being the latest time for acceptance of, and payment for, the Offer Shares
"Latest Time for Termination"	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Kingston Securities, being the latest time to terminate the Underwriting Agreement
"Offer Share(s)"	not less than 462,551,352 new Shares and not more than 555,506,552 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of eight Offer Shares for every one Share held on the Record Date and payable in full on acceptance pursuant to the Open Offer

"Old Shares"	the ordinary share(s) of the Company prior to the capital reorganisation of the Company which became effective on 6 April 2009, details of which are set out in the circular of the Company dated 13 January 2009
"Open Offer"	the proposed issue of the Offer Shares by way of open offer to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents and summarised herein
"Overseas Letter"	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer
"Overseas Shareholders"	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
"Placing"	the placing of the Placing Shares pursuant to the terms of the Placing Agreement
"Placing Agreement"	the conditional placing agreement entered into between the Company and Kingston Securities dated 23 April 2009 in relation to the Placing
"Placing Share(s)"	11,560,000 new Shares to be placed through Kingston Securities pursuant to the Placing Agreement
"Prohibited Shareholder(s)"	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them
"Prospectus"	the prospectus to be issued by the Company in relation to the Open Offer
"Prospectus Documents"	the Prospectus, the application form in respect of the assured allotment of Offer Shares and the Excess Application Form

"Prospectus Posting Date"	9 June 2009 or such later date as may be agreed between Kingston Securities and the Company for the despatch of the Prospectus Documents
"Qualifying Shareholders"	the Shareholders, other than the Prohibited Shareholders, whose names appear on the register of members on the Record Date
"Record Date"	8 June 2009, being the date by reference to which entitlements to the Open Offer will be determined
"Registrar"	Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopwell Centre, 183 Queen's Road East, Wanchai, Hong Kong, the branch share registrar of the Company in Hong Kong
"Riche"	Riche (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, a substantial shareholder of the Company and a wholly-owned subsidiary of China Star Investment Holdings Limited, a company whose shares are listed in the main board of the Stock Exchange
"Riche Undertaking"	an irrevocable undertaking dated 23 April 2009 given by Riche in favour of the Company and Kingston Securities, further details of which are set out in the paragraph headed "Undertakings given by Riche" in the section headed "Open Offer" in this circular
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held at Unit 1611, 16/F, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong at 4:30 p.m. on Monday, 8 June 2009 for the purposes of considering and approving, among other things, the Open Offer
"Share(s)"	the existing share(s) of the Company of HK$0.01 per share
"Share Options"	options granted under the share option scheme of the Company adopted on 6 March 2002
"Shareholder(s)"	the holder(s) of the Share(s)

"Specified Event"	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases
"Underwriting Agreement"	the underwriting agreement dated 23 April 2009 entered into between the Company and Kingston Securities in relation to the Open Offer
"Underwritten Shares"	not less than 368,397,800 Offer Shares and not more than 461,353,000 Offer Shares agreed to be undertaken by Kingston Securities pursuant to the Underwriting Agreement
"Undertakings	the respective irrevocable undertakings dated 23 April 2009 and given by each of the holders of Convertible Bonds in favour of the Company and Kingston Securities, further details of which are set out in the paragraph headed "Undertakings by holders of the Convertible Bonds" in the section headed "Open Offer" in this circular
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

	2009
Last day of dealing in Shares on a cum-entitlement basis	Friday, 29 May
First day of dealing in Shares on an ex-entitlement basis	Monday, 1 June
Latest time for lodging transfer of Shares in order to be qualified for the Open Offer	4:30 p.m. on Tuesday, 2 June
Register of members of the Company closes (both dates inclusive)	Wednesday, 3 June to Monday, 8 June
Latest time for lodging the proxy form for the SGM	4:30 p.m. on Saturday, 6 June
SGM	4:30 p.m. on Monday, 8 June
Announcement of results of the SGM to be published	Monday, 8 June
Record Date	Monday, 8 June
Register of members of the Company reopens	Tuesday, 9 June
Despatch of Prospectus Documents	Tuesday, 9 June
Latest time for acceptance of and payment for Offer Shares	4:00 p.m. on Wednesday, 24 June
Latest time for the Open Offer to become unconditional	4:00 p.m. on Monday, 29 June
Announcement of the results of the Open Offer to be published	Monday, 29 June
Despatch of refund cheques in respect of wholly or partly unsuccessful excess applications	Thursday, 2 July
Share certificates for Offer Shares to be posted	Thursday, 2 July
Dealings in fully-paid Offer Shares commence	Monday, 6 July

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR OFFER SHARES

The latest time for acceptance of and payment for Offer Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or

2. a "black" rainstorm warning

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 24 June 2009. Instead the latest time of acceptance of and payment for the Open Offer will be extended to 5:00 p.m. on the same Business Day; and

   (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 24 June 2009. Instead the latest time of acceptance of and payment for the Open Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Open Offer does not take place on Wednesday, 24 June 2009, the dates mentioned above in the section headed "Expected timetable" in this Circular may be affected. An announcement will be made by the Company in such event.

All times stated in this Circular refer to Hong Kong times. Dates stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced as appropriate.

Golife Concepts Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8172)

Executive Directors:
Mr. Lai Hok Lim
Mr. Lee Chan Wah

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

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong
Unit 1611, 16/F
Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

14 May 2009

To the Shareholders and, for information only the holders of CS Convertible Bond and the holders of Convertible Bonds

Dear Sirs or Madams,

OPEN OFFER OF NOT LESS THAN 462,551,352 OFFER SHARES AND NOT MORE THAN 555,506,552 OFFER SHARES ON THE BASIS OF EIGHT OFFER SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement that the Board announced the Company proposed to raise approximately not less than HK$46.26 million and not more than HK$55.55 million before expenses, by way of open offer of not less than 462,551,352 Offer Shares and not more than 555,506,552 Offer Shares at a price of HK$0.10 per Offer Share on the basis of eight Offer Shares for every one existing Share held on the Record Date payable in full on application. Qualifying Shareholders are entitled to apply for excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer. The Open Offer will not be extended to the Prohibited Shareholders.

The purpose of this Circular is to give you further information on, among other things, details of the Open Offer, the recommendation of the Independent Board Committee and the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Open Offer together with the notice convening the SGM.

OPEN OFFER

Issue statistics

Basis of the Open Offer:	Eight Offer Shares for every one Share held on the Record Date and payable in full on application
Subscription Price:	HK$0.10 per Share
Number of Shares in issue as at the Latest Practicable Date:	57,818,919 Shares
Number of Shares in issue upon completion of Placing	69,378,919 Shares
Number of Offer Shares undertaken to be taken up by Riche:	Riche has given an irrevocable undertaking in favour of the Company and Kingston Securities (a) to subscribe for 94,153,552 Offer Shares to which Riche is entitled under the Open Offer; and (b) not to exercise any of its conversion rights attached to the CS Convertible Bond on or before the Record Date
Number of Offer Shares:	Not less than 462,551,352 Offer Shares and not more than 555,506,552 Offer Shares
Number of Offer Shares underwritten by Kingston Securities:	Not less than 368,397,800 Offer Shares and not more than 461,353,000 Offer Shares
Number of Shares in issue upon completion of the Open Offer:	Not less than 520,370,271 Shares and not more than 624,944,871 Shares
Aggregate nominal value of the Offer Shares:	Not less than HK$4,625,513.52 and not more than HK$5,555,565.52
Number of Shares in issue upon completion of the Placing and the Open Offer:	Not less than 624,410,271 Shares and not more than 624,944,871 Shares

The number of the Offer Shares was determined based on not less than 57,818,919 Shares (being the existing issued Shares) and not more than 69,438,319 Shares (being the aggregate of the existing issued Shares, the Shares to be issued upon completion of the Placing and the Shares to be allotted and issued upon the exercising of all of the Share Options) on the Record Date and payable in full on application.

As at the Latest Practicable Date, there were a total of 59,400 Share Options held by Mr. Duncan Chiu, Mr. Richard Yen and Mr. Guow Hiap Kian, each of them being the former Directors or the director of the Company's subsidiaries.

As at the Latest Practicable Date, the CS Convertible Bond and the Convertible Bonds remain outstanding.

Save for the Share Options, the CS Convertible Bond and the Convertible Bonds, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Subscription Price

The Subscription Price is HK$0.10 per Offer Share, payable in full on application. The Subscription Price represents:

(i) a discount of approximately 54.75% to the closing price of HK$0.221 per Share as quoted on the GEM on the date of the Underwriting Agreement (i.e. 23 April 2009);

(ii) a discount of approximately 11.50% to the theoretical ex-entitlement price of approximately HK$0.113 per Share based on the closing price of HK$0.221 per Share as quoted on the GEM on the date of the Underwriting Agreement (i.e. 23 April 2009);

(iii) a discount of approximately 56.33% to the average of the closing prices per Share of approximately HK$0.229 for the last five consecutive trading days immediately prior to the date of the Underwriting Agreement (i.e. 22 April 2009);

(iv) a discount of approximately 54.34% to the average of the closing prices per Share of approximately HK$0.219 for the last ten consecutive trading days immediately prior to the date of the Underwriting Agreement (i.e. 22 April 2009); and

(v) a discount of approximately 47.37% to the closing price of HK$0.190 per Share as quoted on GEM on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and Kingston Securities with reference to, among other things, the prevailing market price of the Share and the theoretical ex-entitlement price per Share. In order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price is appropriate.

Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors) consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders. To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date:

(i) be registered on the register of members of the Company; and

(ii) not be the Prohibited Shareholders.

In order to be registered as members of the Company on or before the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:30 p.m. on Tuesday, 2 June 2009. The address of the Registrar is Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the GEM. The Directors consider that the arrangement of trading in nil-paid entitlements on the GEM will involve additional administrative work and costs for the Open Offer, which is not considered to be cost-effective.

Status of the Offer Shares

The Offer Shares (when allotted, fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Each of the holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 3 June 2009 to Monday, 8 June 2009, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during this period.

Certificates of the fully-paid Offer Shares and refund cheques

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted on or before Thursday, 2 July 2009 to those entitled thereto by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares are also expected to be posted on or before Thursday, 2 July 2009 by ordinary post at their own risk.

Rights of the Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. The Board will make enquiries to its overseas lawyers as to whether the issue of Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, no allotment of Offer Shares will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Prohibited Shareholders.

The Company will send the Prospectus to the Prohibited Shareholders for their information only. The Company will not send the Application Forms for acceptance of Offer Shares and the Excess Application Forms to the Prohibited Shareholders.

Application for excess Offer Shares

For excess application of Offer Shares, the Company will determine on a fair and equitable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings; and

(2) subject to availability of excess Offer Shares after allocation under principle (1) above, the excess Offer Shares will be allocated to Qualifying Shareholders who have applied for excess application based on a pro-rata basis to the excess Offer Shares applied by them, with board lots allocations to be made on a best effort basis.

The Board will regard a nominee company whose name appears on the register of members as a single shareholder under the arrangement (1) above. Accordingly, such arrangement in relation to the allocation of excess Offer Shares will not be extended to the beneficial owners individually. Beneficial owners who hold their Shares through a nominee company whose name appears on the register of members of the Company as a single Shareholder are advised to consider whether they would like to arrange registration of the Shares in their own names prior to the register of members close, which is expected from Wednesday, 3 June 2009 to Monday, 8 June 2009, both dates inclusive.

Qualifying Shareholders may apply (using forms of Excess Application Form(s)) for any entitlement of the Prohibited Shareholders and any Offer Shares not taken up by the Qualifying Shareholders during the offer period commencing from Tuesday, 9 June 2009 to Wednesday, 24 June 2009. Any Offer Shares that is not taken up by Qualifying Shareholders will be underwritten by the Underwriter pursuant to the Underwriting Agreement.

Fractions of Offer Shares

Fractional entitlements of Offer Shares will not be allotted to individual Shareholders and will be aggregated. All Offer Shares arising from the aggregation of such fractional entitlements will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the proceeds for its own benefit. Any unsold fractions of Offer Shares will be made available for excess application. However, it is not expected that any fractions of Offer Shares will be arised as a result of the Open Offer.

Application for listing

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date:	23 April 2009
Underwriter:	Kingston Securities
Number of Offer Shares underwritten:	not less than 368,397,800 Offer Shares and not more than 461,353,000 Offer Shares. Pursuant to the Underwriting Agreement, Kingston Securities has conditionally agreed to underwrite the Offer Shares which have not been taken up. Accordingly, the Open Offer is fully underwritten.
Commission:	not less than HK$368,397.80 and not more than HK$461,353.00, being 1% of the aggregate Subscription Pirce of the number of Offer Shares to be underwritten on the Record Date

Kingston Securities is a licensed corporation which is authorized to carry out type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Having considered (i) the commissions payable to Kingston Securities are at prevailing market rate; (ii) Kingston Securities had previously acted as the underwriter to the Company in relation to the open offer of the Company as announced on 28 November 2008; and (iii) other terms of the Placing Agreement and the Underwriting Agreement are fair, reasonable and in accordance with the market practice, the Directors (including the independent non-executive Directors) are of the view that Kingston Securities to be selected as the Placing Agent and the Underwriter of the Company for the Placing and the Open Offer is in the interest of the Company and the Shareholders as a whole.

The Open Offer is conditional upon, inter alia, the entering into of binding agreements by Kingston Securities with certain placees and/or sub-underwriters for placing and/or sub-underwriting the Offer Shares, (i) none of the placees and/or sub-underwriters and their respective parties acting in concert (having the meaning under the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer, and (ii) the Kingston Securities will not be beneficially interested in more than 29.9% of the issued share capital of the Company as enlarged by the Open Offer. Such condition is non-waivable pursuant to the Underwriting Agreement.

Undertaking given by Riche

Riche, being the legal and beneficial owner of 11,769,194 Shares, representing approximately 20.36% of the issued share capital of the Company as at the date hereof, and the holder of the CS Convertible Bond, has given the Riche Undertaking in favour of the Company and Kingston Securities (a) to subscribe for 94,153,552 Offer Shares to which Riche is entitled under the Open Offer; and (b) not to exercise any of its conversion rights attached to the CS Convertible Bond on or before the Record Date.

Undertakings by holders of the Convertible Bonds

Each of the holders of the Convertible Bonds has given the Undertakings in favour of the Company and Kingston Securities not to exercise any of its conversion rights attached to the Convertible Bonds on or before the Record Date.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

(1) in the absolute opinion of Kingston Securities, the success of the Open Offer would be materially and adversely affected by:

   (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of Kingston Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of Kingston Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of Kingston Securities is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of Kingston Securities will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout; or

(5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

(6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of Kingston Securities, a material omission in the context of the Open Offer; or

(7) any suspension in the trading of securities generally or the Company's securities on the GEM for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement, this circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

Kingston Securities shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Kingston Securities shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of Kingston Securities; or

(2) any Specified Event comes to the knowledge of Kingston Securities.

Any such notice shall be served by Kingston Securities prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Conditions of the Open Offer

The Open Offer is conditional upon:

(1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;

(2) the filing with the Registrar of Companies in Bermuda one copy of the Prospectus Documents duly signed by either all Directors or one of the Directors (for and on behalf of all the Directors) and otherwise in compliance with the Companies Act not later than the Prospectus Posting Date;

(3) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;

(4) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of dealings of the Offer Shares;

(5) the passing of a resolution by the Shareholders to approve, among others, the Open Offer at the SGM;

(6) the obligations of Kingston Securities becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;

(7) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;

(8) compliance with the performance of all undertakings and obligations of Riche under the Riche Undertaking;

(9) compliance with and performance of all undertakings and obligations of each of the holders of the Convertible Bonds under the Undertakings;

(10) the entering into of binding agreements by Kingston Securities with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares, such that (i) none of the placees and/or sub-underwriters and their respective parties acting in concert shall in aggregate be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer and (ii) Kingston Securities will not be beneifically interested in more than 29.9% of the issued share capital of the Company as enlarged by the Open Offer; and

(11) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares.

The conditions precedent are incapable of being waived. If the conditions precedent are not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and Kingston Securities may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and Kingston Securities not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Monday, 1 June 2009 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer

is subject are fulfilled (which is expected to be on Monday, 29 June 2009), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

EFFECTS ON SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has an authorised share capital of HK$30,000,000 divided into 3,000,000,000 Shares of which 57,818,919 Shares are issued and fully paid up. The existing and enlarged shareholding structures of the Company immediately before and after the completion of the Placing and the Open Offer, (assuming that there are no other changes in the issued share capital of the Company) are set out below:

	As at the date of Latest Practicable Date		After completion of the Placing but before the Open Offer		After completion of the Placing and the Open Offer (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer)		After completion of the Placing and the Open Offer (assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer, except Riche) *(Note 1)*		After completion of the Open Offer (assuming all Qualifying Shareholders take up their respective entitlement under the Open Offer) and assuming the Placing has not been completed prior to the Record Date	
	Shares	*Approximately %*	*Shares*	*Approximately %*	*Shares*	*Approximately %*	*Shares*	*Approximately %*	*Shares*	*Approximately %*
Riche	11,769,194	20.36%	11,769,194	16.96%	105,922,746	16.96%	105,922,746	16.96%	105,922,746	20.36%
Kingston Securities *(Note 2)*	9,695,567	16.77%	9,695,567	13.97%	87,260,103	13.97%	470,573,367	75.36%	87,260,103	16.77%
Ms. Chu Yuet Wah *(Note 2)*	1,333,460	2.30%	1,333,460	1.91%	12,001,140	1.93%	1,333,460	0.20%	12,001,140	2.30%
Sub-total	22,798,221	39.43%	22,798,221	32.86%	205,183,989	32.86%	577,829,573	92.54%	205,183,989	39.43%
Public:										
Placees	0	0.00%	11,560,000	16.66%	104,040,000	16.66%	11,560,000	1.85%	0	0.00%
Others	35,020,698	60.57%	35,020,698	50.48%	315,186,282	50.48%	35,020,698	5.61%	315,186,282	60.57%
Total	57,818,919	100.00%	69,378,919	100.00%	624,410,271	100.00%	624,410,271	100.00%	520,370,271	100.00%

	After completion of the Open Offer (assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer, except Riche) and assuming the Placing has not been completed *(Note 1)*		After completion of the Open Offer (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer) and assuming the Placing has not been completed and the conversion rights attached to the Share Options being exercised in full prior to the Record Date		After completion of the Open Offer (assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer, except Riche) and assuming the Placing has not been completed and the conversion rights attached to the Share Options being exercised in full prior to the Record Date *(Note 1)*		After completion of the Placing and the Open Offer (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer) and the conversion rights attached to the Share Options being exercised in full prior to the Record Date		After completion of the Placing and the Open Offer (assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer, except Riche) and the conversion rights attached to the Share Options being exercised in full prior to the Record Date *(Note 1)*	
	Shares	*Approximately %*	*Shares*	*Approximately %*	*Shares*	*Approximately %*	*Shares*	*Approximately %*	*Shares*	*Approximately %*
Riche	105,922,746	20.36%	105,922,746	20.33%	105,922,746	20.33%	105,922,746	16.95%	105,922,746	16.95%
Kingston Securities *(Note 2)*	378,093,367	72.66%	87,260,103	16.75%	378,568,567	72.68%	87,260,103	13.96%	471,048,567	75.37%
Ms. Chu Yuet Wah *(Note 2)*	1,333,460	0.25%	12,001,140	2.29%	1,333,460	0.26%	12,001,140	1.92%	1,333,460	0.22%
Sub-total	485,349,573	93.27%	205,183,989	39.39%	485,824,773	93.27%	205,183,989	32.83%	578,304,773	92.54%
Public:										
Placees	0	0.00%	0	0.00%	0	0.00%	104,040,000	16.65%	11,560,000	1.85%
Others	35,020,698	6.73%	315,720,882	60.61%	35,080,098	6.73%	315,720,882	50.52%	35,080,098	5.61%
Total	520,370,271	100.00%	520,904,871	100.00%	520,904,871	100.00%	624,944,871	100.00%	624,944,871	100.00%

Notes:

1. For illustration purpose only. Such scenario will never occur as the Open Offer is conditional upon, inter alia, the entering into of binding agreements by Kingston Securities with certain placees and/or subunderwriters for placing and/or sub-underwriting the Offer Shares, such that (i) none of the placees and/or sub-underwriters and their respective parties acting in concert (having the meaning under the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer, and (ii) the Kingston Securities will not be beneficially interested in more than 29.9% of the issued share capital of the Company as enlarged by the Open Offer.

2. Ms. Chu Yuet Wah is the beneficial owner of 1,333,460 Shares. 9,695,567 Shares are held by Kingston Securities. Kingston Securities is owned by Ms. Chu Yuet Wah and Ms. Ma Siu Fong as to 51% and 49% respectively. Pursuant to Note 1 above, Kingston Securities will not be beneficially interested in more than 29.9% of the issued share capital of the Company as enlarged by the Open Offer under the Underwriting Agreement.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is an investment holding company and its subsidiaries are principally engaged in distribution of high-end apparel and accessories and property investment.

The estimated net proceeds from the Open Offer will not be less than approximately HK$45.33 million and not more than approximately HK$54.44 million. Accordingly, the net price will not be less than approximately HK$0.098 per Offer Share. The Board intends to apply such proceeds from the Open Offer to reduce the Group's borrowings as and when needed, finance any future possible investment and/or for general working capital of the Group. As at 31 March 2009, the Group has approximately HK$78,780,000 of cash on hand and approximately HK$304,188,000 of secured bank loans. Notwithstanding that the Group finance its operation with existing financial resources mainly contributed by cash inflow generated from financing activities, the Board will continue to procure any investment opportunity to achieve a higher return from working capital. As at the Latest Practicable Date, the Board does not intend to declare dividends to the Shareholders for the current financial year ending 31 December 2009. The Board expected that the Company will have sufficient working capital to meet the liabilities when they fall due. The estimated expenses in relation to the Open Offer, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses, of approximately HK$0.93 million to approximately HK$1.11 million, will be borne by the Company. Having considered other fund raising alternatives for the Group, such as bank borrowings, and taking into account the benefits and cost of each of the alternatives, the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Directors (including the independent non-executive Directors) considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

The Directors (including the independent non-executive Director) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer.

RISK FACTORS

Possible risks factors which may be faced by the Company are as follows:

Investments in new business

The Group has explored into the property investment in the PRC, a new business sector within the Group. Since the Company does not have significant experience in the new business, it is not in a position to assure the timing and amount of any return or benefits that may be received from the new business. Accordingly, the Company retained the existing management team of the property to mange the new business sector. In addition, the new business sector may pose significant challenges to the Company's administrative, financial and operational resources. In order to strengthen the financial position of the Group for future development, the Board considered the Open Offer, which provides an equal opportunity to the Qualifying Shareholders to subscribe their shareholder interest in the Company, is in the interest of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the date of the Announcement:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
4 June 2008	Issue of convertible bonds to JL Investments Capital Ltd. in the principal amount of HK$6.2 million	HK$6.13 million	All of the net proceeds will be used for general working capital purposes of the Group	All of the net proceeds has been fully utilised for general working capital purposes of the Group
4 June 2008	Issue of convertible bonds to Far East Holdings International Ltd. in the principal amount of HK$7 million	HK$6.62 million	All of the net proceeds will be used for general working capital purposes of the Group	All of the net proceeds has been fully utilised for general working capital purposes of the Group
9 July 2008	Issue of convertible bonds to Goldig Properties Limited in the principal amount of HK$35 million	HK$34.50 million	HK$14.3 million will be used for the repayment of loan, and the remaining HK$20.2 million will be used for general working capital purposes	HK$14.3 million has been utilised for the repayment of loan and approximately HK$20.2 million has been utilised for general working capital purposes
28 November 2008	Placing of 53,000,000 Old Shares at the placing price of HK$0.075 per Old Share	HK$3.86 million	All of the net proceeds will be used to finance the proposed acquisition of investment properties in Mainland China	All of the net proceeds has been utilised to finance the acquisition of investment properties in Mainland China
28 November 2008	Open offer of 131,570,645 Old Shares at the issue price of HK$0.05 per Old Share	HK$5.70 million	All of the net proceeds will be used to finance the proposed acquisition of investment properties in Mainland China	HK$3.0 million has been utilised to finance the acquisition of investment properties in Mainland China, HK$1.2 million has been utilised for general working capital of the Group and the remaining of approximately HK$1.5 million will be used for general working capital purposes of the Group

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
29 January 2009	Issue of convertible bonds to China Star Entertainment Limited in the principal amount of HK$60.0 million	HK$60.0 million	All of the proceeds will be used for general working capital purposes of the Group and/or borrowings repayment	HK$38.2 million has been utilised for the repayment of convertible bonds and the remaining of approximately HK$21.8 million will be used for general working capital purposes of the Group and/or borrowings repayment

There has been no change in the above use of proceeds for the captioned raising activities.

LISTING AND DEALINGS

Dealing in the Offer Shares on the GEM will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the GEM, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the GEM or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading any thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangement and how such arrangements will affect their rights and interest.

None of the securities of the Company is listed or dealt in on any other stock exchange other than GEM and no such listing or permission to deal is being or is proposed to be sought.

All necessary arrangements will be made to enable the Offer Shares to be admitted into CCASS.

The first day of dealings in the Offer Shares is expected to commence on Monday, 6 July 2009.

Adjustments to Options, CS Convertible Bond and Convertible Bonds

As at the Latest Practicable Date, there are 59,400 outstanding Share Options granted under the share option scheme adopted by the Company entitling the holders thereof to subscribe for a total of 59,400 Shares, the CS Convertible Bonds entitling the holder thereof to convert into 200,000,000 Shares and the Convertible Bonds entitling the holders thereof to convert into 328,860,759 Shares. Save for the Share Options, the CS Convertible Bond and the Convertible Bonds, the Company has no other outstanding options, warrants or other securities convertible into Shares.

Adjustments to the conversion price of the outstanding CS Convertible Bond and the Convertible Bonds in issue and the exercise prices and numbers of the outstanding Share Options may be required under the relevant terms of the instrument constituting the CS Convertible Bond and the Convertible Bonds and the share option schemes of the Company. An approved investment bank or the auditors of the Company will be appointed to certify the necessary adjustments, if any, to the conversion price of the outstanding CS Convertible Bond and the Convertible Bonds and the exercise prices and numbers of the outstanding Share Options. Further announcement will be made by the Company in this regard.

GEM LISTING RULES IMPLICATIONS

As the Open Offer will increase the issued share capital and the market capitalisation of the Company by more than 50% within the 12 month period immediately preceding the date of the Announcement, pursuant to Rule 10.39 of the GEM Listing Rules, the Open Offer must be made conditional on approval by Independent Shareholders at the SGM and any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions relating to the Open Offer at the SGM.

Kingston Securities, being the substantial Shareholder who is acting as the Placing Agent and Underwriter in respect of the Placing and the Open Offer, is a connected person as defined under the GEM Listing Rules. As the relevant percentage ratio exceeds 2.5% but not 25% and the maximum underwriting commission of approximately HK$461,353 payable to Kingston Securities is less than HK$10,000,000, the Underwriting Agreement constitute a connected transaction which is subject to announcement and reporting requirements, but is exempted from independent shareholders' approval requirement at the SGM pursuant to Rule 20.32(2) of the GEM Listing Rules.

As at the Latest Practicable Date, the Company did not have any controlling Shareholder. Therefore, Kingston Securities being the substantial Shareholder by holding 9,695,567 Shares, representing approximately 16.77% of the issued share capital of the Company as at the Latest Practicable Date, who is acting as the Underwriter in respect of the Open Offer and their associates are required to abstain from voting on the relevant resolutions at the SGM. Save as disclosed, to the best of the Directors' knowledge, information and belief and having made all reasonable inquiry, no Directors or chief executive of the Company or their respective associates beneficially hold any Shares as at the Latest Practicable Date. As at the Latest Practicable Date, there had been no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any such Shareholders, and no obligation or entitlement of any such Shareholders whereby any one of them has or may temporarily or permanently passed control over the exercise of the voting right in respect of their respective interest in the Company to a third parties either especially or on a case-by-case basis.

Further, according to the amended Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at the SGM must be taken by poll and an announcement will be made after the SGM on the results of the SGM.

SGM

There is set out on pages 243 to 245 of this circular a notice convening the SGM to be held at 4:30 p.m. on Monday, 8 June 2009 at Unit 1611, 16/F, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong, at which ordinary resolutions will be proposed to consider and, if thought fit, to approve the Open Offer.

A form of proxy for use at the SGM is enclosed. If you are not able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Registrar of the Company, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 26 in this Circular which contains its recommendation to the Independent Shareholders as to voting at the SGM in relation to the Open Offer.

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 27 to 38 in this Circular which contains its advice to the Independent Board Committee and the Independent Shareholders as regards the Open Offer and the principal factors and reasons considered by it in arriving thereat.

The Independent Board Committee has considered the terms of the Open Offer and the advice given by the Independent Financial Adviser, and recommends the Independent Shareholders to vote in favour of the resolution in relation to the Open Offer at the SGM.

The Directors consider the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole. They recommend the Shareholders to vote in favour of all resolutions proposed at the SGM.

Yours faithfully,
For and on behalf of the Board
Golife Concepts Holdings Limited
Lee Chan Wah
Executive Director

Golife Concepts Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8172)

14 May 2009

To the Shareholders and, for information only
the holders of CS Convertible Bond and
the holders of Convertible Bonds

Dear Sir or Madam,

OPEN OFFER OF NOT LESS THAN 462,551,352 OFFER SHARES AND NOT MORE THAN 555,506,552 OFFER SHARES ON THE BASIS OF EIGHT OFFER SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE

We refer to the Letter from the Board set out in the circular of the Company dated 14 May 2009 (the "Circular") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the Open Offer and to advise the Independent Shareholders as to the fairness and reasonableness of the Open Offer and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the SGM to approve the Open Offer. The Independent Financial Adviser have been appointed to advise the Independent Board Committee in relation to the terms of the Open Offer.

We wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Open Offer as set out in the Circular. We also draw your attention to the Letter from the Board in the Circular.

Having taken into account principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider the terms of the Open Offer are fair and reasonable so far as the interests of the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution approving the Open Offer to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Mr. Yip Tai Him **Mr. Law Yiu Sang, Jacky** **Ms. Chio Chong Meng**
Independent non-executive Directors

The following is the full text of a letter of advice from Grand Cathay in relation to the Open Offer, which has been prepared for the purpose of inclusion in this Circular:

大華證券(香港)

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

14 May 2009

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

Dear Sirs,

OPEN OFFER OF NOT LESS THAN 462,551,352 OFFER SHARES AND NOT MORE THAN 555,506,552 OFFER SHARES ON THE BASIS OF EIGHT OFFER SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Open Offer, details of which are set out in the section headed "Letter from the Board" (the "Letter") in the Company's circular dated 14 May 2009 (the "Circular") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 23 April 2009, the Company announced, among other things, that the Company proposed to raise approximately not less than HK$46.26 million and not more than HK$55.55 million before expenses, by way of open offer of not less than 462,551,352 Offer Shares and not more than 555,506,552 Offer Shares at a price of HK$0.10 per Share on the basis of eight Offer Shares for every one Share held on the Record Date.

As the Open Offer will increase the issued share capital and the market capitalisation of the Company by more than 50% within the 12 month period immediately preceding the date of the Announcement, pursuant to Rule 10.39 of the GEM Listing Rules, the Open Offer must be made conditional on approval by Independent Shareholders at the SGM and any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions relating to the Open Offer at the SGM.

Kingston Securities, being the substantial Shareholder who is acting as the Placing Agent and Underwriter in respect of the Placing and the Open Offer, is a connected person as defined under the

GEM Listing Rules. As the relevant percentage ratio exceeds 2.5% but not 25% and the maximum underwriting commission of approximately HK$461,353 payable to Kingston Securities is less than HK$10,000,000, the Underwriting Agreement constitute a connected transaction which is subject to announcement and reporting requirements, but is exempted from independent shareholders' approval requirement at the SGM pursuant to Rule 20.32(2) of the GEM Listing Rules.

As at the Latest Practicable Date, the Company did not have any controlling Shareholder. Therefore, Kingston Securities being the substantial Shareholder by holding 9,695,567 Shares, representing approximately 16.77% of the issued share capital of the Company as at the Latest Practicable Date, who is acting as the Underwriter in respect of the Open Offer and their associates are required to abstain from voting on the relevant resolutions at the SGM. Save as disclosed, to the best of the Directors' knowledge, information and belief and having made all reasonable inquiry, no Directors or chief executive of the Company or their respective associates beneficially hold any Shares as at the Latest Practicable Date. As at the Latest Practicable Date, there had been no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any such Shareholders, and no obligation or entitlement of any such Shareholders whereby any one of them has or may temporarily or permanently passed control over the exercise of the voting right in respect of their respective interest in the Company to a third parties either especially or on a case-by-case basis.

Further, according to the amended Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at the SGM must be taken by poll and an announcement will be made after the SGM on the results of the SGM.

Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng, being all the independent non-executive Directors, have been appointed by the Board to form the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to how to vote at the SGM on the resolution regarding the Open Offer.

Subject to the fulfilment of the conditions contained in the Underwriting Agreement, the Independent Shareholders should note that the Open Offer would not proceed if Kingston Securities exercise their termination rights under the Underwriting Agreement. Details of the provisions granting Kingston Securities such termination rights are included in the Letter.

Our role as the independent financial adviser is to give our independent opinion to the Independent Board Committee and Independent Shareholders as to (i) whether the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in relation to (i) above.

BASIS OF OUR OPINION

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

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

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Offer Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on or liabilities, of any person resulting from the subscription for, holding of or dealing in the Offer Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Open Offer and, if any doubt should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the terms of the Open Offer, we have considered the following principal factors and reasons.

1. Reasons for the Open Offer and use of proceeds

The Group is principally engaged in (i) property investment; and (ii) distribution of high-end apparel and accessories.

According to the Group's annual report 2008 ("2008 Annual Report"), turnover of the Group was approximately HK$71.6 million for the year ended 31 December 2008, representing an increase of 18% compared with 2007. Gross profit was approximately HK$37.4 million, representing approximately 52% of turnover. Gross profit margin dropped as compared with 62% in 2007 mainly due to sales discounts offered in the weak retail market. Loss attributable to shareholders after tax was approximately HK$73.6 million. Within the total losses, HK$22.4 million was attributed by the termination of the acquisition of Financière Solola as announced by the Company on 31 March

2008, and certain related financing exercises. Excluding the one-time losses that were attributed from the termination of the above acquisition, the Group's net loss attributable to Shareholders was approximately HK$51.2 million.

Besides the one-time losses, certain administrative expenses like rental expenses and staff costs increased for the year ended 31 December 2008 mainly due to opening of new shops and provisions made arising from early termination of shop tenancies. During 2008, 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.

On 25 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 agreed to purchase the entire issued share capital and the outstanding shareholders' loan of Shinhan-Golden Faith International Development Limited ("SG") and World East Investment Limited ("WE") for a total consideration of approximately HK$211.5 million. The consideration shall be satisfied by the Company in 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"). The Property has been utilized 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 service apartments in the Hong Kong real estate market. The Directors consider that the acquisition of SG and WE will provide a stable income to the Group and diversify the earning bases of the Group. 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.

On 29 January 2009, the Company announced that Amazing Group 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. Upon completion, AG will cease to be a subsidiary of the Company and will become a jointly controlled entity of the Company. The Directors believe 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 to the property investment such as the Property.

As stated in the Letter, the estimated net proceeds from Open Offer will not be less than approximately HK$45.3 million and not more than approximately HK$54.6 million. The Board intends to apply such proceeds from the Open Offer to reduce the Group's borrowings as and when needed, finance any future possible investment and/or for general working capital of the Group.

We reviewed the fund raising activities of the Group in the past twelve months as stated in the Letter and noted that in the preceding twelve-month period, the Group had raised a total of approximately HK$116.8 million, of which approximately HK$23.3 million of the net proceeds has not been ultilised and will be used for general working capital purposes. As stated in the Letter, there has been no change in the uses of proceeds for the captioned fund raising activities.

As stated in the Letter, the Group has approximately HK$78,780,000 of cash on hand and approximately HK$304,188,000 of secured bank loans as at 31 March 2009.

We have been advised by the Directors that the Directors are proactively identifying suitable investment opportunities to develop and diversify the Group's business so as to broaden the revenue base of the Group but the investment size has not yet been determined. Though the Directors consider that the existing cash and financial resources of the Group are sufficient for its daily operations, there is no certainty or guarantee that the current financial resources of the Group (including the funding from the recent capital raising activities and assuming the Placing is successfully completed) will be adequate for any appropriate investments in a transaction size like the acquisition of the Property that may be identified and materialise in the future.

Despite no specific investment targets had been identified as at the Latest Practicable Date, taking into account of the principal activities of the Group, in particular the property investment, is capital intensive in nature, we consider that the increase in the Group's liquidity is beneficial to the Group's business development, in particular if and when suitable investment opportunities arise. Therefore, we are of view that the Open Offer will further strengthen the financial position and the capital base of the Company which enable the Company to capture the investment opportunities in a timely manner, and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Open Offer

Subscription Price

The Company proposed to raise approximately not less than HK$46.26 million and more than HK$55.55 million before expenses, by way of open offer of not less than 462,551,352 Offer Shares and not more than 555,506,552 Offer Shares at a price of HK$0.10 per Share, payable in full on application. Qualifying Shareholders will be offered 8 Offer Shares for every Share held on the Record Date. The Open Offer will be only available to the Qualifying Shareholders. Qualifying Shareholders are entitled to apply for any Offer Shares which are in excess of their assured entitlements.

The Offer Shares, when allotted, issued and fully-paid, will rank pari passu with the Shares in issue in all respects. Holders of such Offer Shares will be entitled to receive full future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the fully paid Offer Shares. Dealings in Offer Shares on the GEM will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.

The Open Offer is fully underwritten and is subject to the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms.

The Subscription Price is HK$0.10 per Offer Share which represents:

(a) a discount of approximately 54.75% to the closing price of HK$0.221 per Share as quoted on the GEM on the date of the Underwriting Agreement (i.e. 23 April 2009);

(b) a discount of approximately 11.50% to the theoretical ex-entitlement price of approximately HK$0.113 per Share based on the closing price of HK$0.221 per Share as quoted on the GEM on the date of the Underwriting Agreement (i.e. 23 April 2009);

(c) a discount of approximately 56.33% to the average of the closing prices per Share of approximately HK$0.229 for the last five consecutive trading days immediately prior to the date of the Underwriting Agreement (i.e. 22 April 2009); and

(d) a discount of approximately 54.34% to the average of the closing prices per Share of approximately HK$0.219 for the last ten consecutive trading days immediately prior to the date of the Underwriting Agreement (i.e. 22 April 2009).

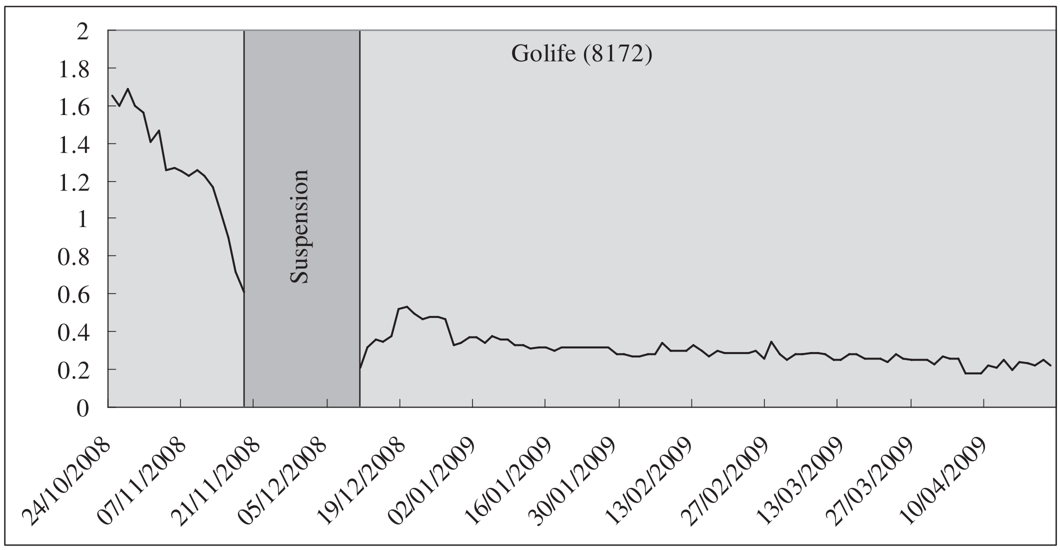
The Subscription Price was arrived at after arm's length negotiation between the Company and Kingston Securities with reference to, among other things, the prevailing market price of the Shares and the theoretical ex-entitlement price per Share. In order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors) consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Review on prices and trading volume of the Shares

In order to assess the fairness of the Subscription Price, we reviewed the daily closing price and the liquidity of the Shares (as adjusted for the effect of the capital reorganisation as announced by the Company on 24 December 2008) ("Adjusted Share") for the period from 24 October 2008 to 23 April 2009 (the "Review Period"), i.e. six months period from the date of the Underwriting Agreement.

The chart below illustrates the daily closing price of the Adjusted Share during the Review Period:

HK$



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

Note: Trading of the Adjusted Shares was suspended for the periods from 19 November 2008 to 8 December 2008 and 20 January 2009 to 29 January 2009.

During the Review Period, we note that the share price performance of the Company had a general downward trend during the Review Period. The highest closing price and the lowest closing price of the Adjusted Shares were HK$1.69 on 28 October 2008 and HK$0.18 on 8 April 2009. The Subscription Price is lowest as compared to all closing price of the Adjusted Shares during the Review Period and represents a discount of approximately 94.1% and 44.4% to such the highest and lowest closing price of the Adjusted Shares.

Review on the trading volume of the Adjusted Shares

The average daily trading volume of the Adjusted Shares and its percentage to the total number of issued Adjusted Shares for each of the months during the Review Period are set out below:

	Daily average trading volume *(Shares)*	**Daily average trading volume to the Company's total issued Adjusted Shares as at the date of the Announcement** *(Note 1)* *(%)*
2008		
October (from 24 October 2008)	91,600	0.16%
November	97,783	0.17%
December	2,065,501	3.57%
2009		
January	186,907	0.32%
February	80,064	0.14%
March	64,736	0.11%
April (up to 23 April 2009)	52,546	0.09%

Source: Website of the Stock Exchange

Notes: 1. Based on 57,818,919 Adjusted Shares in issue as at the date of the Announcement, i.e. 23 April 2009.

2. Trading of the Adjusted Shares was suspended for the periods from 19 November 2008 to 8 December 2008 and 20 January 2009 to 29 January 2009.

We note that the daily trading volume of the Adjusted Shares within the Review Period was significantly low as compared to the Company's total issued Adjusted Shares as at the date of the Announcement with the highest daily average trading volume amounted to 2,065,501 Adjusted Shares recorded in December 2008, representing approximately 3.57% of the total number of issued Adjusted Shares in issue as at the date of the Announcement.

Based on the weak historical Share price performance and the low liquidity of Adjusted Shares as illustrated above, we concur with the Directors' view that the discount of the Subscription Price to the market trading price of the Shares will provide more incentive for the Independent Shareholders to participate in the Open Offer.

Comparable with other open offers

In assessing the fairness and reasonableness of the Subscription Price, we identified, on a best effort basis, from the website of the Stock Exchange and reviewed for reference purposes, the open offers (the "Market Comparables") announced since 1 January 2009 to 23 April 2009 (being the date of the Underwriting Agreement) conducted by companies listed on the Stock Exchange. The key terms of the Market Comparables are set out in the following table:

Date of the announcement	Company (Stock Code)	Subscription Price	Basis of the entitlement	Excess application	Premium/ (discount) of subscription price over/to the share closing price as at the date of the respective underwriting agreement for the open offer or the last trading day prior to the release of the announcement	Premium (discount) of subscription price over/to theoretical ex-entitlement price as at the date of the respective underwriting agreement for the open offer or the last trading day prior to the release of the announcement	Underwriting Commission
9 April 2009 *(Note)*	Xpress Group Limited (185)	HK$0.05	1 offer share for every 5 shares held	Provided	(27.50)	(24.10)	1.5%
8 April 2009	Computech Holdings Limited (8081)	HK$0.15	1 offer share for every 2 shares held	Not provided	(57.14)	(47.00)	3%
24 March 2009	Sun Innovation Holding Limited (547)	HK$0.15	5 offer shares for every adjusted share held	Provided	(79.73)	(40.00)	2%
13 March 2009 *(Note)*	The Sun's Group Limited (988)	HK$0.66	2 offer shares for every 5 shares held	Provided	(1.49%)	(1.05%)	Nil
9 March 2009 *(Note)*	Uni-Bio Science Group Limited (690)	HK$0.10	1 offer share for every 6 shares held	Provided	(40.50)	(31.20)	0.50%
13 February 2009 *(Note)*	Wang On Group Limited (1222)	HK$0.10	3 offer shares for every share held	Not provided	(83.33)	(33.33)	2.50%
5 February 2009 *(Note)*	Garron International Limited (1226)	HK$0.24	2 offer shares for every share held	Not provided	(20.67)	(8.00)	Nil
21 January 2009	Hembly International Holdings Limited (3989)	HK$0.30	1 offer share for 2 shares held	Not provided	(13.00)	(9.10)	2.50%

Date of the announcement	Company (Stock Code)	Subscription Price	Basis of the entitlement	Excess application	Premium/ (discount) of subscription price over/to the share closing price as at the date of the respective underwriting agreement for the open offer or the last trading day prior to the release of the announcement	Premium (discount) of subscription price over/to theoretical ex-entitlement price as at the date of the respective underwriting agreement for the open offer or the last trading day prior to the release of the announcement	Underwriting Commission
20 January 2009	Global Green Tech Group Limited (274)	HK$0.25	12 offer shares for 26 shares held	Provided	(31.50)	(23.80)	3.50%
15 January 2009	Royale Furniture Holdings Limited (1198)	HK$0.27	1 offer share for 2 shares held	Not provided	(20.60)	(14.80)	2.50%
7 January 2009	Hanny Holdings Limited (275)	HK$0.35	3 offer shares for every share held	Not provided	(69.07)	(47.15)	2.75%
23 April 2009	**The Company**	**HK$0.10**	**8 offer shares for every share held**	**Provided**	**(54.75)**	**(11.50)**	**1.00%**

Source: Website of the Stock Exchange

Note: The open offer is underwritten by the connected person (as defined in the Listing Rules).

As noted from the above table, (i) the discount of the Subscription Price to the closing price of the Share as at the date of Underwriting Agreement; (ii) the discount of the Subscription Price to the theoretical ex-entitlement price as at the date of the Underwriting Agreement; and (iii) the underwriting commission of the Underwriting Agreement, fall within the range of the Market Comparable.

Taking into account of (i) the weak share price performance of the Shares since 1 January 2009 up to the date of the Underwriting Agreement; (ii) the significantly low liquidity of the trading in the Shares; and (iii) the discounts of the Subscription Price to the closing price of the Share as at the date of Underwriting Agreement and to the theoretical ex-entitlement price as at the date of the Underwriting Agreement fall within the range of the Market Comparables, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Application for excess Offer Shares

According to the Letter, for application of excess Offer Shares, the Company will determine on a fair and equitable basis on the following principles:

(i) preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings; and

(ii) subject to availability of excess Offer Shares after allocation under principle (i) above, the excess Offer Shares will be allocated to Qualifying Shareholders who have applied for excess application based on a pro-rata basis to the excess Offer Shares applied by them, with board lots allocations to be made on a best effort basis.

We are of the view that since the trading cost of odd-lot is relatively higher than the whole-lot and the aforesaid principles is for rounding up odd-lot holdings to whole-lot holdings and is also based on a pro-rata basis (subject to availability of excess Offer Shares after allocation under principle (i) above), the aforesaid principles are justifiable.

3. Alternatives to the Open Offer

The Directors advised that they have considered alternative means for the Group to raise funds other than the Open Offer, including but not limited to, debt financing and placing of new shares. Given the current financial condition of the Group, the Directors believe that taking up borrowings or other bank financing would increase the Group's finance costs, and, in turn, may deteriorate the Group's financial position and performance.

The Directors also considered the possibility of fund raising by way of share placements as an alternative to the Open Offer. However, the Directors are of the view that a share placement in such size as the Open Offer, would result in a dilution of existing shareholders' interest without giving them an equal opportunity to participate in the enlargement of the capital base of the Company. Accordingly, the Directors do not consider a share placement to be desirable alternative to the Open Offer.

Having considered that all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and to take up their entitlement in full at the same price to maintain their respective shareholdings in the Company, we consider that the Open Offer is an equitable means to raise capital for the Group under the existing circumstances.

4. Potential dilution effect on the shareholding interests of the Independent Shareholders

Upon completion of the Open Offer, not less than 462,551,352 Offer Shares and not more than 555,506,552 Offer Shares will be issued. Qualifying Shareholders who elect to subscribe for in full their assured entitlements under the Open Offer will retain their current shareholding in the Company. Qualifying Shareholders who do not elect to subscribe for in full their assured entitlements under the Open Offer will be substantially diluted after completion of the Open Offer. Please refer to the section headed "Effects on shareholding structure" in the Letter in relation to the dilution effect of the Open Offer. Despite the dilution effect by the Open Offer, we consider it should be balanced against the facts that (i) the Qualifying Shareholders have an equal opportunity to participate in the Open Offer; and (ii) the Open Offer will enhance the Group's the financial position which enable the Company to capture the investment opportunities in a timely manner. As such, we consider the possible dilution effect on the Shareholders to be acceptable.

5. Financial effect of the Open Offer

According to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "Pro Forma Statement") set out in Appendix III to the Circular, the unaudited consolidated net tangible liabilities the Group attributable to equity holders of the Company was approximately HK$42.3 million as at 31 December 2008. The unaudited pro forma adjusted consolidated net tangible assets of the Group would increase by not less than HK$45.3 million and not more than HK$54.4 million as a result of the Open Offer, being the net proceeds from the Open Offer.

RECOMMENDATION

Taking into account the factors and reasons as mentioned above, we consider that the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer is in the interest of the Company and the Independent Shareholders as a whole and would advise the independent Shareholders and recommend the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution to approve the Open Offer to be proposed at the SGM.

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

Kim Chan
Director

Kevin Chan
Director

I. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

A summary of the published results, assets and liabilities of the Group as extracted from the respective annual reports of the Company for each of the year ended 31 December 2008, 31 December 2007, 31 December 2006 (Note) and 31 March 2006 and for the period from 1 April 2006 to 31 December 2006 is set out below.

Unqualified opinions were issued by the Company's auditors for the financial statements of the Company for the relevant periods set out below.

Results	**For the year ended 31 December 2008**	**For the year ended 31 December 2007**	**For the period from 1 April 2006 to 31 December 2006**	**For the year ended 31 March 2006**
			(Note)	*(Note)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Audited)*
Turnover	71,599	60,598	18,885	1,359
Profit/(Loss) before taxation	(73,641)	(92,240)	1,824	(17,726)
Taxation	–	–	(676)	–
Net profit/(Loss) attributable to shareholders for the period/year	(73,641)	(92,240)	1,148	(17,726)

Assets and liabilities	**As at 31 December 2008**	**As at 31 December 2007**	**As at 31 December 2006**	**As at 31 March 2006**
			(Note)	*(Note)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Audited)*
Total assets	26,244	45,717	102,385	454
Total liabilities	(68,504)	(33,964)	70,837	6,280
Total equity	42,260	11,753	31,548	(5,826)

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

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Set out below is the audited consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement of the Group, and the balance sheet of the Company together with the notes to the financial statements of the Group as extracted from pages 31 to 101 of the annual report of the Company for the year ended 31 December 2008.

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

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

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	2007
	HK$'000	*HK$'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)

	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").

(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 circular.

(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 circular, 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.

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.

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.

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".

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.

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly controlled entity;

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

Intangible assets (other than goodwill)

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

Franchise rights

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

Leases

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

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

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

Investment and other financial assets

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

Fair value

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

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.

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.

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.

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.

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.

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.

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.

Cash and cash equivalents

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

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

Provision

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

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

Income tax

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

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

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

Deferred tax liabilities are 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.

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.

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.

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.

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	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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

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	**2007**
	HK$'000	*HK$'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

8. OTHER EXPENSES AND LOSSES

	2008	2007
	HK$'000	*HK$'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 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.

9. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'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

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

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	Salaries and allowances	Retirement scheme contribution	Share option benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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

Year ended 31 December 2007:

	Fees	Salaries and allowances	Retirement scheme contribution	Share option benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
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.

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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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

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.

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).

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	2007
	HK$'000	*HK$'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	2007
	HK$'000	*HK$'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).

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.

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).

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.

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.

20. INTERESTS IN SUBSIDIARIES

	Company 2008 HK$'000	2007 HK$'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	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
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

Name	Place of incorporation	Issued and fully paid up capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
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

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.

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)

22. AVAILABLE-FOR-SALE INVESTMENT

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

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

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	Group 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.

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	Group 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

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

	2008	2007
	HK$'000	*HK$'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.

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	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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		

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.

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

	2008	**2007**
	HK$'000	*HK$'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	–

31. DEFERRED TAX

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

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*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	2007
	HK$'000	*HK$'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

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:

(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.

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.

(a) 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.

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)

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	2007
	HK$'000	*HK$'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	2007
	HK$'000	*HK$'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

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	
		2008	**2007**
	Notes	*HK$'000*	*HK$'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.

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	**2007**
	HK$'000	*HK$'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.

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	**2007**
	HK$'000	*HK$'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

(b) Capital commitments

	2008	2007
	HK$'000	*HK$'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.

(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.

(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

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

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	Less than 3 months	3 to 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 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

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2007					
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.

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.

III. FINANCIAL AND TRADING PROSPECTS

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. 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. 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 (Beijing Shama Real Estate Development Limited) (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 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. The sale and purchase agreement was completed on 8 April 2009.

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.

IV. INDEBTEDNESS

Statement of Indebtedness

Borrowings

As at the close of business on 31 March 2009, being the latest practicable date for the purposes of this statement of indebtedness prior to the printing of the Circular, the Group had total borrowings of approximately HK$946,721,000 comprising (i) bank interest-bearing borrowings of approximately HK$1,753,000 which are secured by personal guarantees provided by directors of a subsidiary of the Group and corporate guarantee provided by a subsidiary of the Group; (ii) unsecured finance lease obligations of approximately HK$543,000; (iii) unsecured convertible bonds of approximately HK$67,000,000 of which approximately HK$7,000,000 bears no interest and will be due for repayment by August 2011 and approximately HK$60,000,000 bears no interest and will be due for repayment by January 2019; (iv) bank borrowings of approximately HK$301,891,000 which are secured by certain of the investment properties of the Group, a bank deposit of approximately HK$26,669,000 and a corporate guarantee given by the Company; (v) amount due to Riche (BVI) Limited of approximately HK$375,534,000; (vi) promissory note with principal amount of HK$100,000,000 which bears no interest and will be due for repayment by April 2014; and (vii) a convertible bond of HK$100,000,000 which bears no interest and will be due for repayment by April 2019.

Commitments

(i) Operating lease commitments

As at 31 March 2009, the Group had operating lease commitments of approximately HK$9,966,000.

(ii) Purchase commitments

As at 31 March 2009, the Group had purchase commitments of approximately HK$16,125,000.

(iii) Renovation commitments

As at 31 March 2009, the Group had renovation commitments in respect of the renovation works of investment properties of approximately HK$16,495,000;

Debt securities

As at the close of business on 31 March 2009, the Group had no debt securities.

Contingent liabilities

As at 31 March 2009, the Group had the following contingent liabilities:

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 of the Company 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$65,749,000). The directors of the Company 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 of the Company 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 of the Company 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 statements of the Company.

Disclaimer

Save as disclosed above and apart from intra-group liabilities, as at the close of business on 31 March 2009, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

V. WORKING CAPITAL

The Board, after due and careful enquiry, is of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's financial resources, including internally generated funds, available banking facilities and the estimated net proceeds of the Open Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this Circular.

VI. MATERIAL CHANGE

The directors of the Company confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2008, being the date of which the latest audited financial statements of the Group were made up.

BACKGROUND

On 26 November 2008, Mega Shell Services Limited (the "Mega Shell"), a wholly-owned subsidiary of the Company entered into the sale and purchase agreement with Riche for the acquisition of the entire equity interest in Shinhan-Golden Faith International Development Limited and its subsidiaries (the "Shinhan-Golden Group") and World East Investments Limited and its subsidiaries (the "World East Group") at a total consideration of HK$211,466,310 (collectively "the Target Group"), of which (i) HK$5,884,597 by procuring the Company to allot and issue 117,691,940 consideration Shares credited as fully paid; (ii) HK$100,000,000 by procured the Company to issue the CS Convertible Bond; (iii) HK$5,581,713 in cash, subject to the adjustment; and (iv) HK$100,000,000 by procuring the Company to issue the promissory note. The principal asset of the Target Group is a property which situated at Inner Jiangguo Gate of Dongcheng District, Beijing, the PRC. The aforesaid acquisition was completed on 8 April 2009. There were no variation to the aggregate remuneration payable to and benefits in kind receivable by the directors of Target Group will be varied in consequence of the acquisition.

FINANCIAL INFORMATION

Set out below the (i) financial information comprises the consolidated balance sheets of the Shinhan-Golden Group and the balance sheets of Shinhan-Golden as at 31 December 2005, 2006 and 2007 and 30 September 2008 and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008 and a summary of significant accounting policies and other explanatory notes and the management discussion and analysis of Shinhan-Golden Group as extracted from the accountants' report of the Shinhan-Golden Group as set out in Appendix III and Appendix IV to the Company's circular dated 23 January 2009; (ii) financial information comprises the consolidated balance sheets of the World East Group and the balance sheets of World East as at 31 December 2005, 2006 and 2007 and 30 September 2008 and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008 and a summary of significant accounting policies and other explanatory notes and the management discussion and analysis of World East Group as extracted from the accountants' report of the World East Group as set out in Appendix V and Appendix VI to the Company's circular dated 23 January 2009; and (iii) the unaudited pro forma financial information of the Group as enlarged by the acquisitions of the interest in the Shinhan-Golden Group and World East Group as extracted from Appendix VII to the Company's circular dated 23 January 2009.

i. Shinhan-Golden Group

Financial Information

a. Financial information of the Shinhan-Golden Group

The following is the report, prepared for the purpose of incorporation in the circular of the Company dated 23 January 2009, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, who gave an unqualified opinion for the financial information contained thereof.

Consolidated Income Statements

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

Consolidated Balance Sheets

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

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

Balance Sheets

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

Consolidated Statement of Changes in Equity

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

for the nine months ended 30 September 2007 (unaudited)

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

Consolidated Cash Flow Statements

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

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

Notes to the Financial Information

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

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

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

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

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRSs (Amendments)	Improvements to HKFRSs[5]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]

HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estates[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[2]

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

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

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

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

(b) Revenue recognition

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

(i) Rental income from operating leases

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

(ii) Interest income

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

(iii) Sundry income

Sundry income is recognised when received.

(c) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated.An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

i. Calculation of recoverable amount

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

ii. Reversals of impairment losses

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

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

(d) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising from investment in subsidiaries except where the Shinhan-Golden Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

(e) Property, plant and equipment

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

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

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

Office equipment	20%
Motor vehicles	20%

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

(f) Investment properties

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

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

(g) Goodwill

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

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

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

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

(h) Interests in subsidiaries

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

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

(i) Inventories

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

(j) Financial instruments

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

Loans and receivables

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

(k) Trade and other receivables

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

(l) Cash and cash equivalents

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

(m) Borrowings

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

(n) Leases

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

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

(o) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

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

(p) Employee benefits

(i) Bonuses

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

(ii) Retirement benefit obligations

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

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

(q) Borrowing costs

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

(r) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Shinhan-Golden Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

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

(s) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(t) Financial guarantees issued and provisions

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

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

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

(u) Segment reporting

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimated impairment of goodwill

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

(b) Trade debtors

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

(c) Useful lives of property, plant and equipment

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

(d) Estimate of fair values of investment properties

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

6. SEGMENT INFORMATION

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

7. TURNOVER

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

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

8. OTHER REVENUE AND OTHER INCOME

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

9. PROFIT/(LOSS) FROM OPERATIONS

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

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

10. FINANCE COSTS

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

11. TAXATION

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

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

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

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

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

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

12. DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS

(a) Directors' emoluments

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

For the year ended 31 December 2005

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

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

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

Notes:

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

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

(b) Five highest paid individuals

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

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries and Allowances	193	184	510	357	857
Contribution to retirement Benefit scheme	–	–	–	–	–
	193	184	510	357	857

The emoluments were within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
				(unaudited)	
Nil to HK$1,000,000	5	5	5	5	5

During the Relevant Periods, no emoluments were paid by the Shinhan-Golden Group to the employees as an inducements to join or upon joining the Shinhan-Golden Group as compensation for loss of office.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. DIVIDENDS

The directors of Shinhan-Golden do not recommend a payment of dividend nor transfer of any amount to reserves for the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*
Costs:			
At 1 January 2005	1,377	418	1,795
Additions	207	–	207
Disposals	–	(149)	(149)
Exchange alignment	58	10	68
At 31 December 2005 and 1 January 2006	1,642	279	1,921
Additions	309	–	309
Disposals	(1,334)	(287)	(1,621)
Exchange alignment	50	8	58
At 31 December 2006 and 1 January 2007	667	–	667
Additions	4,890	–	4,890
Disposals	(562)	–	(562)
Exchange alignment	7	–	7
At 31 December 2007 and 1 January 2008	5,002	–	5,002
Additions	17,177	1,493	18,670
Exchange alignment	303	–	303
At 30 September 2008	22,482	1,493	23,975
Accumulated depreciation:			
At 1 January 2005	866	376	1,242
Charge for the year	199	–	199
Written back on disposals	–	(134)	(134)
Exchange alignment	41	9	50
At 31 December 2005 and 1 January 2006	1,106	251	1,357
Charge for the year	380	–	380
Written back on disposals	(1,074)	(258)	(1,332)
Exchange alignment	34	7	41
At 31 December 2006 and 1 January 2007	446	–	446
Charge for the year	595	–	595
Written back on disposals	(423)	–	(423)
Exchange alignment	1	–	1
At 31 December 2007 and 1 January 2008	619	–	619
Charge for the period	2,854	59	2,913
Exchange alignment	37	–	37
At 30 September 2008	3,510	59	3,569
Net book value:			
At 31 December 2005	536	28	564
At 31 December 2006	221	–	221
At 31 December 2007	4,383	–	4,383
At 30 September 2008	18,972	1,434	20,406

16. INVESTMENT PROPERTIES

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	554,205	636,893	678,000	887,450
Additions	10,126	20,410	101,347	38,286
Transfer from inventories	–	–	15,613	–
Fair value changes	49,922	590	43,853	(66,751)
Exchange alignment	22,640	20,107	48,637	46,408
At 31 December	636,893	678,000	887,450	905,393

The fair value of the Shinhan-Golden Group's investment properties as at 31 December 2005, 2006 and 2007 have been arrived at on the basis of valuation carried out on that date by DTZ Debenham Tie Leung Limited and the valuation as at 30 September 2008 was carried out by Grant Sherman Appraisal Limited. DTZ Debenham Tie Leung Limited and Grant Sherman Appraisal Limited are independent qualified professional valuers not connected with Shinhan-Golden Group, have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair value of investment properties shown above comprise:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Outside Hong Kong, held on:				
Long-term leases	636,893	678,000	887,450	905,393

All of the Shinhan-Golden Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

Certain investment properties with carrying value approximately HK$636,893,000, HK$678,000,000, HK$852,081,000 and HK$856,170,000 as at 31 December 2005, 2006 and 2007 and 30 September 2008 respectively have been pledged to secure banking facilities granted to the Group (note 28).

17. GOODWILL

		At 31 December		At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At 1 January	–	26	26	26
Acquisition of a subsidiary	26	–	–	–
At 31 December/30 September	26	26	26	26
Accumulated impairment losses:				
At 1 January	–	26	26	26
Impairment loss recognised during the years/periods	26	–	–	–
At 31 December/30 September	26	26	26	26
Carring amounts:				
At 31 December/30 September	–	–	–	–

Goodwill is allocated to the Shinhan-Golden Group's cash generating units ("CGU") identified according to the operation of the subsidiary acquired i.e. Beijing Jianguo (BVI). The recoverable amount of the CGU is determined based on value in use calculation. Since Beijing Jianguo (BVI) has been dormant, the recoverable amount of the goodwill is lower than the carrying amount based on the value-in-use calculation. Accordingly, the directors of Shinhan-Golden Group considered full provision of impairment loss should be made on goodwill during the year ended 31 December 2005.

18. INTERESTS IN SUBSIDIARIES

		At 31 December		At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	112,924	112,924	112,924	112,924
Impairment loss recognised	(74,100)	(74,100)	(74,100)	(74,100)
	38,824	38,824	38,824	38,824
Amount due from a subsidiary	99,868	3,234	5,162	7,113
Provision for impairment	(99,868)	–	–	–
	38,824	42,058	43,986	45,937

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the director of Shinhan-Golden, the carrying amounts of the amount due from a subsidiary as at 31 December 2005, 2006 and 2007 and 30 September 2008 approximate to their fair values.

The carrying amounts of the interests in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

Details of the Shinhan-Golden Group's subsidiaries at the Relevant Periods are set out as follows:

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

19. INVENTORIES

	At 31 December			At 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	42,200	43,839	45,154	32,783
Transfer to investment properties	–	–	(15,613)	–
Exchange difference	1,639	1,315	3,242	1,988
At 31 December/30 September	43,839	45,154	32,783	34,771

All inventories were carried at cost during the Relevant Periods.

Inventories solely comprised of certain units of apartments held by Shinhan-Golden Group, of which sales and purchase agreements were entered into and full considerations have been received by the Shinhan-Golden Group in respect of these units of apartments (note 26). However, the transfer of legal title of these unites of apartments have not yet been completed at the end of the Relevant Periods.

20. TRADE RECEIVABLES

Trade receivables comprising rental receivables which are billed in advance and settlements are expected upon receipts of billings for the Relevant Periods.

Aging analysis of trade receivables as at the end of the Relevant Periods are as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	–	–	214	219
31 – 60 days	–	–	429	–
61 – 90 days	–	–	107	–
Over 90 days	11	–	107	–
	11	–	857	219
Less: Provision of bad and doubtful debts	–	–	(8)	–
	11	–	849	219

The following is an aged analysis of the trade receivables net of impairment loss at the balance sheet date:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	–	–	8	–

Trade receivables are generally on 90 days credit terms.

The carrying amounts of trade receivables approximate to their fair values.

Aging of trade receivables which are past due but not impaired:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	–	–	99	–

At 31 December 2005, 2006 and 2007 and 30 September 2008, trade receivables of approximately HK$Nil, HK$Nil, HK$99,000 and HK$Nil were past due but not impaired. The Shinhan-Golden Group is in negotiation with those customers for settlement of these debts. The directors of the Shinhan-Golden are of the opinion that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality on these balances.

Aging of impaired trade receivables:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	–	–	8	–

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	81	1,594	486	21
Prepayments	457	6,986	16,213	13,826
Other receivables	32	193	386	930
	570	8,773	17,085	14,777

22. SHARE CAPITAL

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
10,000,000 ordinary shares of US$1 each	78,000	78,000	78,000	78,000
Issued and fully paid:				
9,500,000 ordinary shares of US$1 each	74,100	74,100	74,100	74,100

23. RESERVES

Shinhan-Golden

	Accumulated losses
	HK$'000
At 1 January 2005	(88,356)
Profit for the year	14,376
At 31 December 2005 and 1 January 2006	(73,980)
Loss for the year	(120)
At 31 December 2006, 31 December 2007 and 30 September 2008	(74,100)

24. TRADE PAYABLES

Aging analysis of Shinhan-Golden Group's trade payables of the Relevant Periods is as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 60 days	12	–	–	–
61 – 120 days	–	–	–	–
121 – 180 days	–	–	–	–
Over 180 days	629	–	–	–
	641	–	–	–

25. ACCRUALS AND OTHER PAYABLES

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	–	637	877	2,589
Other payables	536	5,522	1,747	1,744
Tax payables *(note i)*	5,840	6,037	6,480	7,185
	6,376	12,196	9,104	11,518

Note:

(i) The tax payables represented provision for land appreciation tax on certain units of apartments sold by the Shinhan-Golden Group prior to 2003. According to the PRC tax law and regulation, 30% of land appreciation tax was accrued in the financial statements. The carrying amounts of accruals and other payables approximate to their fair values.

The carrying amounts of accruals and other payables approximate to their fair values.

26. RECEIPTS IN ADVANCE

Receipts in advance represented the full amount of considerations received from sales of certain units of apartments, details of which are set out in note 19. Since the transfer of legal titles of these units of apartments has not yet been completed at the date of the approval of the financial statements, no revenue could be recognised for the years/period and the total amount was recorded as receipts in advance.

27. AMOUNTS DUE TO RELATED PARTIES

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to a director	25,230	–	–	–
Amount due to Mr. Nan Pin Ren *(note i)*	6,866	–	–	–
Amount due to a related company *(note ii)*	3,980	–	–	–
Amount due to an immediate holding company	38,888	42,055	43,982	45,933
Amounts due to fellow subsidiaries	–	81,431	225,098	387,500
	74,964	123,486	269,080	433,433

Note:

(i) The amount due to Mr. Nan Pin Ren, a director of JV Company, is unsecured, interest charged at 5.5% per annum and repayable within one year.

(ii) The amount due to a related company, Gui Lin Gui Du Cement Co. Ltd., is unsecured, interest free and has no fixed terms of repayment. Mr. Andrew Nan Sherrill is a common director of both the Shinhan-Golden Group and Gui Lin Gui Du Cement Co. Ltd..

28. SECURED BANK LOANS

Shinhan-Golden Group's bank loans were repayable as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans	367,416	357,427	329,018	320,279
The maturity of the above borrowings is as follows:				
Within one year	367,416	5,470	27,533	23,246
Between one and two years		25,000	64,308	34,104
Between two and five years	–	326,957	237,177	262,929
	367,416	357,427	329,018	320,279
Less: Amount due within one year shown under current liabilities	(367,416)	(5,470)	(27,533)	(23,246)
	–	351,957	301,485	297,033

The secured bank loans bear interest at rates ranging from 5.31% to 6.14%, 6.16% to 6.41%, 6.16% to 7.35% and 7.18% to 7.35% per annum for the year ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008 respectively.

All of the Shinhan-Golden Group's secured bank loans are denominated in Renminbi.

The secured bank loans were secured by Shinhan-Golden Group's investment properties in the PRC with fair values of approximately HK$636,893,000, HK$678,000,000, HK$852,081,000 and HK$856,170,000 and bank deposits with balance of approximately HK$Nil, HK$Nil, HK$16,832,000 and HK$28,679,000 as at 31 December 2005, 2006 and 2007 and 30 September 2008 respectively.

The carrying amounts of the secured bank loans approximate to their fair values.

29. DEFERRED TAXATION

The movement in deferred tax liabilities during the Relevant Periods is as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	36,284	54,488	56,317	73,502
Exchange alignment	1,410	1,634	4,029	3,649
Charge/(credit) to income statement for the year/period *(note 11)*	16,794	195	13,156	(20,026)
At 31 December/30 September	54,488	56,317	73,502	57,125

30. CQUISITION OF A SUBSIDIARY

The Shinhan Golden Group had no acquisition for the period ended 30 September 2008.

During the year ended 31 December 2005, the Shinhan-Golden Group acquired the 100% interest of the issued share capital of Beijing Jianguo (BVI) for a consideration of US$1.00. The fair value of assets acquired and liabilities assumed as follows:

	HK$'000
Net assets acquired	
Cash and bank balances	2
Amount due to a director	(28)
	(26)
Goodwill	26
	–
Satisfied by	
Cash	–

Analysis of the net outflow in respect of the purchase of a subsidiary:

	HK$'000
Cash consideration	–
Bank balances and cash in hand acquired	2
Net cash inflow in respect of the acquisition of subsidiary	2

No turnover was contributed from the subsidiary acquired during the year ended 31 December 2005 but contributed to the Shinhan-Golden Group a loss of approximately HK$8,000 for the year. There was no significant impact of the Shinhan-Golden Group's cash flows for investing and financing activities and payment of tax.

31. COMMITMENTS

(a) Lease commitments

As lessee

The Shinhan-Golden Group had commitments for future minimum lease payments under noncancellable operating leases in respect of investment properties which fall due as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	35	43	–

As lessor

The Shinhan-Golden Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of the Shinhan-Golden Group's investment properties, which fall due as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	5,204	2,700	–	2,788
In the second to fifth year inclusive	2,700	–	–	–
	7,904	2,700	–	2,788

(b) Other commitments

The Shinhan-Golden Group had other commitments contracted but not provided for in the Financial Information:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renovation work in respect of the investment properties	56,821	63,739	28,750	16,711

32. CONTINGENT LIABILITIES

As at 31 December 2005, the Shinhan-Golden Group had the following contingent liabilities:

(a) Di Yi Ao Yuan Real Estate Management (Shanghai) Limited ("Di Yi") filed a statement of claim against the JV Company alleging the JV Company owed Di Yi RMB353,808 (or approximately HK$344,000) in respect of consulting service rendered to the JV Company based on the signed contract;

(b) De Ren Advertising Limited filed a statement of claim against the JV Company for RMB100,000 (or approximately HK$97,000) in respect of a marketing campaign contract;

(c) A writ of summons and statement of claim was made by Beijing Jun Ying Real Estate Management Limited ("Jun Ying") for a claim of RMB243,331 (or approximately HK$236,000) in respect of contracted security services to the JV Company; and

(d) A writ of summons and statement of claim was made by CL3 Architects Limited for a claim of HK$2,500,000 over design contracts for the Property with the JV Company.

As at 31 December 2006, the Shinhan-Golden Group had the following contingent liabilities:

(a) A writ of summons and statement of claim was made by CL3 Architects Limited for a claim of HK$2,500,000 over design contracts for the Property with the JV Company; and

(b) A writ of summons and statement of claim was made by ICBC against the JV Company for a claim of RMB1,197,000 (or approximately HK$1,197,000) over the non-repayment of a mortgage loan granted to an owner (the "Borrower") of an apartment unit in the Property. The Borrower purchased the apartment unit from the JV Company in 2001 and the legal title of the apartment unit has not yet been transferred from the JV Company to the Borrower.

As at 31 December 2007 and 30 September 2008, the Shinhan-Golden Group did not have any material contingent liabilities.

33. BANKING FACILITIES

The Shinhan-Golden Group's secured bank loans of approximately HK$367,416,000, HK$357,427,000, HK$329,018,000 and HK$320,279,000 as at 31 December 2005, 2006, 2007 and 30 September 2008 were secured by:

(a) Legal charges over the Shinhan-Golden Group's investment properties with the fair value of approximately HK$636,893,000, HK$678,000,000, HK$852,081,000 and HK$856,170,000 as at 31 December 2005, 2006, 2007 and 30 September 2008;

(b) Legal charges over the Shinhan-Golden Group's bank deposits with balance of approximately HK$Nil, HK$Nil, HK$16,832,000 and HK$28,679,000 as at 31 December 2005, 2006, 2007 and 30 September 2008; and

(c) Corporate guarantee provided by China Star.

34. LITIGATIONS

As at the date of this report, save as disclosed below, neither Shinhan-Golden nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the directors of Shinhan-Golden to be pending or threatened against any member of the Shinhan-Golden Group.

1. A writ of summons and statement of claim was made by ICBC against the JV Company for a claim of approximately RMB1,197,000 (or approximately HK$1,197,000) over the nonrepayment of a mortgage loan granted to a owner (the "Borrower") of an apartment unit in the Property. The Borrower purchased the apartment unit from the JV Company in 2001 and the legal title of the apartment unit has not yet been transferred from the JV Company to the Borrower. On 25 December 2006, the PRC court made a verdict that the JV Company was liable to pay RMB1,197,000 if the Borrower failed to pay RMB1,197,000 to ICBC. The JV Company has deposited with the PRC Court the relevant judgment sum for satisfying the ruling against it. The PRC Court subsequently sold the apartment concerned by auction. The sale proceeds through the auction has been paid to ICBC for settlement of their judgment directly. The JV Company's PRC legal adviser is preparing the necessary documents to apply to the PRC Court for releasing the early payment deposited with the PRC Court back to the JV Company.

2. As at 30 September 2008, a writ of summons was filed by an owner of an apartment of the Property against the JV Company for property infringement claiming a compensation of RMB600,000 (or approximately HK$682,000). Subsequent to 30 September 2008, the Second Intermediate People Court of Beijing ruled to dismiss the claim.

3. The JV Company sued a buyer of an apartment of the Property named 張松一 (the "Defendant") for damages in the sum of RMB730,000 for breach of the sale and purchase agreement and a supplemental agreement in respect of the apartment which the Defendant contracted to purchase. The JV Company also sought a ruling that the relevant sale and purchase agreement and the supplemental agreement have been discharged and the delivery vacant possession of the relevant apartment back to the JV Company. The PRC Court ruled in the JV Company's favour on 20 December 2007. Subsequently the Defendant appealed to the appellate court in the PRC but the PRC appellate court dismissed the appeal on 16 June 2008. The Defendant had further applied to the PRC Court for a retrial of the case but the application was dismissed by the PRC Court on 21 December 2008.

35. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, there was no other material related party transaction incurred during Relevant Periods.

Compensation of any kind paid to the directors and other key management personnel of Shinhan-Golden Group during the Relevant Periods were set out in Note 12(a).

36. PLEDGE OF ASSETS

The Shinhan-Golden Group has pledged its investment properties with fair value of HK$636,893,000, HK$678,000,000, HK$852,081,000 and HK$856,170,000, which are held by JV Company to secure the bank loans amounted to HK$367,416,000, HK$357,427,000, HK$329,018,000 and HK$320,279,000 as at 31 December 2005, 2006 and 2007 and 30 September 2008 respectively.

37. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Shinhan-Golden Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The Shinhan-Golden Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Shinhan-Golden Group's financial performance.

(i) Foreign currency risk

The majority of the Shinhan-Golden Group's monetary assets and monetary liabilities by value and the rental income are denominated in Renminbi ("RMB"). The conversion of RMB into other currencies is subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC. The Shinhan- Golden is exposed to foreign exchange risk in respect of exchange fluctuation of Hong Kong dollars against RMB. The Shinhan-Golden Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Shinhan-Golden Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Credit risk

The Shinhan-Golden Group has no significant concentrations of credit risk. The Shinhan-Golden Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of each of the financial asset, including trade and other receivables, as reported on the balance sheet.

The Shinhan-Golden Group's concentration of credit risk by geographical locations is mainly in the PRC.

(iii) Liquidity risk

The Shinhan-Golden Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

The Shinhan-Golden Group closely monitors its exposure to liquidity risk by reviewing the cash position report monthly. It analyses efficiency of fund management appropriately on the drawdown of bank loans and appoint dedicated personnel to ensure loans are serviced on a timely and accurate basis.

The following tables detail the Shinhan-Golden Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Shinhan-Golden Group can be required to pay. The tables include both interest and principal cash flows.

	At 30 September 2008					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	11,518	–	–	–	–	11,518
Receipts in advance	48,666	–	–	–	–	48,666
Amounts due to related parties	–	–	433,433	–	–	433,433
Secured bank loans	–	510	22,736	297,033	–	320,279
	60,184	510	456,169	297,033	–	813,896

	At 31 December 2007					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	9,104	–	–	–	–	9,104
Receipts in advance	46,556	–	–	–	–	46,556
Amounts due to related parties	–	–	269,080	–	–	269,080
Secured bank loans	738	10,718	16,077	301,485	–	329,018
	56,398	10,718	285,157	301,485	–	653,758

	At 31 December 2006					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	12,196	–	–	–	–	12,196
Receipts in advance	60,415	–	–	–	–	60,415
Amounts due to related parties	–	–	123,486	–	–	123,486
Secured bank loans	–	–	5,470	351,957	–	357,427
	72,611	–	128,956	351,957	–	553,524

	At 31 December 2005					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade payables	641	–	–	–	–	641
Accruals and other payables	6,376	–	–	–	–	6,376
Receipts in advance	59,565	–	–	–	–	59,565
Amounts due to related parties	–	–	74,964	–	–	74,964
Secured bank loans	–	–	367,416	–	–	367,416
	66,582	–	442,380	–	–	508,962

(b) Fair value estimation

The carrying amounts of Shinhan-Golden Group's financial assets, including trade receivables, deposits and other receivables and cash and bank balances, and financial liabilities, including trade payables, accruals and other payables and, receipts in advance and amounts due to related parties, approximate to their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to Shinhan-Golden Group for similar financial instruments.

In assessing the fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by Shinhan-Golden Group are the current bid price.

The fair value of financial instrument that are not traded in an active market is determined by using valuation techniques. Shinhan-Golden Group uses a variety of methods, such as estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying values of the current financial assets and current financial liabilities approximate to their fair values.

(c) Capital risk management

The primary objective of Shinhan-Golden Group's capital management is to safeguard Shinhan-Golden Group's ability to continue as a going concern, maintains a strong credit rating and healthy ratios in order to support its business and enhance shareholder value.

Shinhan-Golden Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Shinhan-Golden Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or raise and repay debts. Shinhan-Golden Group's capital management objectives, policies or processes were unchanged during years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008.

The Shinhan-Golden monitors capital using gearing ratio, which is Shinhan-Golden Group's total borrowings over equity attributable to equity holders of Shinhan-Golden. The gearing ratios as at 31 December 2005, 2006 and 2007 and 30 September 2008 were as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to related parties	74,964	123,486	269,080	433,433
Secured bank loans	367,416	357,427	329,018	320,279
Total borrowings	442,380	480,913	598,098	753,712
Equity attributable to the equity holder of Shinhan-Golden	140,641	124,210	250,529	201,323
Gearing ratio	315%	387%	239%	374%

38. SUBSEQUENT EVENTS

No significant events took place subsequent to 30 September 2008.

b. Management discussion and analysis of the Shinhan-Golden Group

Track Record of the Shinhan-Golden Group

The table below sets out the consolidated income statements of the Shinhan-Golden Group for each of three years ended 31 December 2007 and the nine months ended 30 September 2007 and 2008.

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

Overview

The Shinhan-Golden Group is principally engaged in property investment in the PRC.

During the year ended 31 December 2005, the management of the Shinhan-Golden Group launched various advertising and promotion programs for selling apartment units of the Property to the public. In mid 2005, the plan of selling apartment units was dropped due to the implementation of a series of administrative measures by the PRC Government to dampen property speculation in general. No apartment units and/or carparks were sold during the year ended 31 December 2005. In view of the growing demand for high-end serviced apartments resulting from Beijing's successful bid for the 2008 Olympic Games and the PRC accession to World Trade Organisation, the management had redefined the business strategy for the Shinhan-Golden Group by transforming the Property into high-end serviced apartments for rental purposes.

During the year ended 31 December 2006, the Shinhan-Golden Group was not able to obtain sufficient financing for renovation of the Property. As a result, Riche acquired the entire issued share capital of Shinhan-Golden from its former shareholder on 21 June 2006. Upon the completion of the acquisition, the JV Company has obtained the Hang Seng Loan to finance the renovation. The Shinhan-Golden Group had appointed Mr. Steve Leung, a reputable architecture, to renovate and refurbish the Property.

During the year ended 31 December 2007, the Shinhan-Golden Group concentrated its resources to transform the Property into high-end serviced apartments and has appointed SHAMA as the management company for the Property.

During the nine months ended 30 September 2008, the renovation of the Property has completed and the Property has commenced its operations in late June 2008. As a result, the rental income increased significantly.

Analysis on the results of operations of the Shinhan-Golden Group during the three years ended 31 December 2007 and the nine months ended 30 September 2007 and 2008

Turnover

For the three years ended 31 December 2005, 2006 and 2007, the turnover of the Shinhan-Golden Group amounted to HK$5,384,000, HK$4,209,000 and HK$2,917,000 respectively. During the three years ended 31 December 2005, 2006 and 2007, the turnover represented the rental income generated from certain apartment units of the Property leased to independent third parties on short-term basis and the retail area on the ground floor of the Property leased to a restaurant operator.

The turnover for the nine months ended 30 September 2008 amounted to HK$17,215,000, a 681% increase as compared to HK$2,203,000 in the nine months ended 30 September 2007. The significant increase was attributable to the signing of a number of short-term leases with an aggregate contract value of HK$16,033,000 for the "Olympic Month – August 2008". However, the signing of long-term lease has been adversely affected by the tightening visa policy carried out by the PRC Government before and after the period of Olympic Games resulting in many long-term overseas tenants, who have long-term demand for serviced apartments, had to return to their countries for visa renewals. During the nine months ended 30 September 2008, 7% and 93% of the turnover were generated from long-term leasing and short-term leasing respectively.

Other income

Other income decreased from HK$21,021,000 in the year ended 31 December 2005 to HK$2,946,000 in the year ended 31 December 2006. The decrease was mainly attributed to the recognition of the written back of other payables of HK$2,753,000, the written back of trade payables of HK$1,428,000 and the cash advance of HK$14,270,000 waived by the then holding company in 2005, whereas no such items in 2006.

Other income increased from HK$2,946,000 in the year ended 31 December 2006 to HK$106,956,000 in the year ended 31 December 2007. The increase was attributable to the recognition of the one-off gain of HK$106,956,000 arising from the loan interest waived by China Merchants Bank.

No other income was recorded in the nine months ended 30 September 2008. Other income in the nine months ended 30 September 2007 represented the one-off gain of HK$106,956,000 arising from the loan interest waived by China Merchants Bank.

Operating expenses

Operating expenses for the year ended 31 December 2005 amounted to HK$3,478,000. They mainly represented advertising and promotion expenses, as in early 2005, the Shinhan-Golden Group launched various advertising and promotion programs for selling the apartment units of the Property to the public.

Administrative expenses

Administrative expenses increased from HK$5,869,000 in the year ended 31 December 2006 to HK$11,925,000 in the year ended 31 December 2007. The increase was mainly attributed to the engagements of external consultants for the renovation works of the Property and the payment of pre-operating services fee to SHAMA in 2007.

Administrative expenses for the nine months ended 30 September 2008 amounted to HK$17,847,000, a 53% increase as compared to HK$11,638,000 in the nine months 30 September 2007. The substantial increase was attributable to a HK$2,255,000 increase in staff costs and a HK$2,470,000 increase in depreciation expenses resulted from the commencement of the operation for the Property in June 2008.

Finance costs

Finance costs decrease from HK$21,959,000 in the year ended 31 December 2005 to HK$19,585,000 in the year ended 31 December 2006. The decrease was mainly attributable to the payment of interest expenses for cash advanced from a director and a related party in the year ended 31 December 2005. These cash advances were fully repaid in 2006.

Finance costs for the nine months ended 30 September 2008 amounted to HK$18,873,000, a 38% increase as compared to HK$13,718,000 in the nine months 30 September 2007. The increase was attributable to the increase in the average balances of the Hang Seng Loan in the nine months ended 30 September 2008 resulted from the drawdown of the Hang Seng Loan for the payments of renovation costs for the Property.

Income tax expenses/credit

The income tax expenses for the three years ended 31 December 2005, 2006 and 2007 represented the provision for deferred tax arising from the revaluation gain on the Property.

The income tax credit for the nine months ended 30 September 2008 represented the deferred tax credit arising from the revaluation loss on the Property.

Profit/loss for the years/periods

The performance of the Shinhan-Golden Group deteriorated from a net profit of HK$29,240,000 for the year ended 31 December 2005 to a net loss of HK$18,118,000 for the year ended 31 December 2006. This was mainly attributable to the recognition of the increase in fair value of the Property of HK$49,922,000 in the year ended 31 December 2005, whereas the increase in fair value of the Property only amounted to HK$590,000 in the year ended 31 December 2006.

The performance of the Shinhan-Golden Group turned around from a net loss of HK$18,118,000 for the year ended 31 December 2006 to a net profit of HK$108,465,000 for the year ended 31 December 2007. The turnaround was mainly attributable to the recognition of the increase in fair value of the Property of HK$43,853,000 and the one-off gain of HK$106,956,000 arising from the loan interest waived by China Merchants Bank in 2007.

The Shinhan-Golden Group recorded a net profit of HK$83,552,000 in the nine months ended 30 September 2007, whereas a net loss of HK$66,960,000 was recorded in the nine months ended 30 September 2008. The deterioration was mainly attributable to the recognition of the one-off gain of HK$106,956,000 arising from the loan interest waived by China Merchants Bank in 2007. The performance of the Shinhan-Golden Group was further deteriorated by the decrease in fair value of the Property of HK$66,751,000 and the increase in administrative as explained above.

Analysis on the financial position of the Shinhan-Golden Group during the three years ended 31 December 2007 and the nine months ended 30 September 2008

Liquidity and financial resources

During the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008, the Shinhan-Golden Group funded its operation from cash generated from its operations, bank borrowings and cash advanced from a director, the related parties, an immediate holding company and the fellow subsidiaries.

As at 31 December 2005, the cash and bank balances of the Shinhan-Golden Group amounted to HK$26,110,000 and the total borrowings of the Shinhan-Golden Group amounted to HK$442,380,000, comprising the secured bank loan of HK$367,416,000 granted by China Merchants Bank which was secured by the Property, interest bearing at 5.31% to 6.14% per annum and maturing on 1 August 2006; an advance from a director of HK$25,230,000 which were unsecured, interest bearing at 5.5% to 5.58% per annum and repayable within one year; an advance from a director of the JV Company of HK$6,866,000 which was unsecured, interest bearing at 5.5% per annum and repayable within one year; an advance from a related company of HK$3,980,000 which was unsecured, interest-free and had no fixed terms of repayment; and an advance from an immediate holding company of HK$38,888,000 which was unsecured, interest-free and had no fixed terms of repayment. The Shinhan-Golden Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to Shinhan-Golden's equity holders was 315%.

As at 31 December 2006, the cash and bank balances of the Shinhan-Golden Group amounted to HK$5,799,000 and the total borrowings of the Shinhan-Golden Group amounted to HK$480,913,000, comprising the Hang Seng Loan of HK$250,470,000 which was secured by the Property and a corporate guarantee given by the Company, interest bearing at 95% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within five years; and the interest portion of the secured bank loan granted by China Merchants Bank of HK$106,957,000; an advance from an immediate holding company of HK$42,055,000 which was unsecured, interest-free and had no fixed terms of repayment; and the advances from the fellow subsidiaries of HK$81,431,000 which were unsecured, interest-free and had no fixed terms of repayment. The Shinhan-Golden Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to Shinhan-Golden's equity holders was 387%.

As at 31 December 2007, the cash and bank balances of the Shinhan-Golden Group amounted to HK$39,135,000, of which HK$16,832,000 was pledged for securing the Hang Seng Loan, and the total borrowings of the Shinhan-Golden Group amounted to HK$598,098,000, comprising the Hang Seng Loan of HK$329,018,000 which was secured by the Property, a corporate guarantee given by the Company and the banks deposits of HK$16,832,000, interest bearing at 95% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within four years; an advance from an immediate holding company of HK$43,982,000 which was unsecured, interest-free and had no fixed terms of repayment; and the advances from the fellow subsidiaries of HK$225,098,000 which were unsecured, interest-free and had no fixed terms of repayment. The Shinhan-Golden Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to Shinhan-Golden's equity holders was 239%.

As at 30 September 2008, the cash and bank balances of the Shinhan-Golden Group amounted to HK$100,674,000, of which HK$28,679,000 was pledged for securing the Hang Seng Loan, and the total borrowings of the Shinhan-Golden Group amounted to HK$753,712,000, comprising the Hang Seng Loan of HK$320,279,000 which was secured by the Property, a corporate guarantee given by the Company and the bank deposits of HK$28,679,000, interest bearing at 110% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within three years; an advance from an immediate holding company of HK$45,933,000 which was unsecured, interest-free and had no fixed terms of repayment; and the advances from the fellow subsidiaries of HK$387,500,000 which were unsecured, interest-free and had no fixed terms of repayment. The Shinhan-Golden Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to Shinhan-Golden's equity holders was 374%.

Charges on assets

As at 31 December 2005, the Property was pledged to China Merchants Bank to secure the secured bank loan.

As at 31 December 2006, the Property was pledged to Hang Seng Bank Limited, Fuzhou Branch to secure the Hang Seng Loan.

As at 31 December 2007, certain of the Property with a fair value of HK$852,081,000 and the bank deposits of HK$16,832,000 were pledged to Hang Seng Bank Limited, Fuzhou Branch to secure the Hang Seng Loan.

As at 30 September 2008, certain of the Property with a fair value of HK$856,170,000 and the bank deposits of HK$28,679,000 were pledged to Hang Seng Bank Limited, Fuzhou Branch to secure the Hang Seng Loan.

Net current liabilities

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the net current liabilities of the Shinhan-Golden Group were HK$438,432,000, HK$141,841,000, HK$262,421,000 and HK$366,422,000 respectively.

The current ratios of the Shinhan-Golden Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 were 0.14, 0.30, 0.26 and 0.29 respectively.

Acquisition of a subsidiary

In September 2005, Shinhan-Golden acquired the entire issued share capital of Beijing Jianguo (BVI) at a consideration of USD1.

Contingent liabilities

As at 31 December 2005, the Shinhan-Golden Group had the following contingent liabilities:

(a) Di Yi Ao Yuan Real Estate Management (Shanghai) Limited ("Di Yi") filed a statement of claim against the JV Company alleging the JV Company owed Di Yi RMB353,808 (or approximately HK$344,000) in respect of consulting service rendered to the JV Company based on the signed contract;

(b) De Ren Advertising Limited filed a statement of claim against the JV Company for RMB100,000 (or approximately HK$97,000) in respect of a marketing campaign contract;

(c) a writ of summons and statement of claim was made by Beijing Jun Ying Real Estate Management Limited ("Jun Ying") for a claim of RMB243,331 (or approximately HK$236,000) in respect of contracted security service to the JV Company; and

(d) a writ of summons and statement of claim was made by CL3 Architects Limited for a claim of HK$2,500,000 over design contracts for the Property with the JV Company.

As at 31 December 2006, the Shinhan-Golden Group had the following contingent liabilities:

(a) a writ of summons and statement of claim was made by CL3 Architects Limited for a claim of HK$2,500,000 over design contracts for the Property with the JV Company; and

(b) a writ of summons and statement of claim was made by ICBC against the JV Company for a claim of RMB1,197,000 (or approximately HK$1,197,000) over the non-repayment of a mortgage loan granted to an owner (the "Borrower") of an apartment unit in the Property. The Borrower purchased the apartment unit from the JV Company in 2001 and the legal title of the apartment unit has not yet been transferred from the JV Company to the Borrower.

As at 31 December 2007, the Shinhan-Golden Group did not have any material contingent liabilities.

As at 30 September 2008, a writ of summons was filed by an owner of an apartment unit of the Property against the JV Company for property infringement claiming a compensation of RMB600,000 (or approximately HK$682,000). Subsequent to 30 September 2008, The Second Intermediate People Court of Beijing ruled to dismiss the claim.

Capital structure

There was no change in the equity capital structure of Shinhan-Golden, the JV Company or Beijing Jianguo (BVI) for the three years ended 31 December 2007 and the nine months ended 30 September 2008.

Exchange risk and hedging

As the majority of the Shinhan-Golden Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, the exchange risk of the Shinhan-Golden Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes were used by the Shinhan-Golden Group for the three years ended 31 December 2007 and the nine months ended 30 September 2008.

Staff, remuneration policies and retirement benefits

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the Shinhan-Golden Group had 44, 34, 48 and 94 staff respectively. The Shinhan-Golden Group recognised the importance of maintain remunerations at competitive levels and in line with industry practice. According to the relevant PRC rules and regulations, the staff of the Shinhan-Golden Group is required to participate in employee retirement and insurance schemes for its eligible staff.

ii. World East Group

Financial Information

a. Financial information of the World East Group

The following is the report, prepared for the purpose of incorporation in the circular of the Company dated 23 January 2009, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, who gave an unqualified opinion for the financial information contained thereof.

Consolidated Income Statements

		Year ended 31 December			Nine months ended 30 September	
		2005	2006	2007	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Turnover	*7*	10,440	–	–	–	–
Cost of sales		(11,968)	–	–	–	–
Gross loss		(1,528)	–	–	–	–
Other revenue	*8*	–	8	111	2	114
Impairment loss of available-for-sale investments	*15*	–	–	–	–	(927)
Administrative expenses		(10,451)	(330)	(305)	(219)	(297)
Loss from operations	*9*	(11,979)	(322)	(194)	(217)	(1,110)
Finance costs		–	–	–	–	–
Loss before tax		(11,979)	(322)	(194)	(217)	(1,110)
Taxation	*10*	–	–	–	–	–
Loss for the years/periods		(11,979)	(322)	(194)	(217)	(1,110)
Attributable to:						
Equity holders of World East		(11,979)	(322)	(194)	(217)	(1,110)

Consolidated Balance Sheets

		At 31 December			At 30 September
		2005	2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*14*	5	4	10	9
Available-for-sale investments	*15*	–	–	–	3,896
		5	4	10	3,905
Current assets					
Trade receivables	*17*	1,485	543	–	–
Deposits and other receivables	*18*	690	7,135	11,386	6,631
Amounts due from fellow subsidiaries	*19*	–	81,431	225,098	387,500
		2,175	89,109	236,484	394,131
Total assets		2,180	89,113	236,494	398,036
EQUITY					
Share capital	*20*	1	1	1	1
Reserves		(10,706)	(9,926)	1,561	19,948
Total equity		(10,705)	(9,925)	1,562	19,949
LIABILITIES					
Current liabilities					
Accruals and other payables	*22*	734	460	644	1,535
Amounts due to related parties	*23*	12,151	98,578	234,288	376,552
		12,885	99,038	234,932	378,087
Total equity and liabilities		2,180	89,113	236,494	398,036
Net current (liabilities)/assets		(10,710)	(9,929)	1,552	16,044
Total assets less current liabilities		(10,705)	(9,925)	1,562	19,949

Balance Sheet

		At 31 December			At 30 September
		2005	2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current asset					
Interest in a subsidiary	*16*	469	469	469	469
Current asset					
Amount due from a subsidiary	*16*	47	47	47	47
Total assets		516	516	516	516
EQUITY					
Share capital	*20*	1	1	1	1
Reserves	*21*	(294)	(294)	(299)	(299)
Total equity		(293)	(293)	(298)	(298)
LIABILITIES					
Current liabilities					
Accruals		43	64	69	69
Amounts due to related parties	*23*	766	745	745	745
		809	809	814	814
Total equity and liabilities		516	516	516	516
Net current liabilities		(762)	(762)	(767)	(767)
Total assets less current liabilities		(293)	(293)	(298)	(298)

Consolidated Statement of Changes in Equity

	Share capital *HK$'000*	Foreign currency translation reserve *HK$'000*	(Accumulated loss)/ retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2005	1	–	1,273	1,274
Loss for the year	–	–	(11,979)	(11,979)
At 31 December 2005 and 1 January 2006	1	–	(10,706)	(10,705)
Foreign currency translation difference	–	1,102	–	1,102
Loss for the year	–	–	(322)	(322)
At 31 December 2006 and 1 January 2007	1	1,102	(11,028)	(9,925)
Foreign currency translation difference	–	11,681	–	11,681
Loss for the year	–	–	(194)	(194)
At 31 December 2007 and 1 January 2008	1	12,783	(11,222)	1,562
Foreign currency translation difference	–	19,497	–	19,497
Loss for the period	–	–	(1,110)	(1,110)
At 30 September 2008	1	32,280	(12,332)	19,949

for the nine months ended 30 September 2007 (unaudited)

	Share capital *HK$'000*	Foreign currency translation reserve *HK$'000*	Accumulated loss *HK$'000*	Total *HK$'000*
At 1 January 2007	1	1,102	(11,028)	(9,925)
Foreign currency translation difference	–	1,471	–	1,471
Loss for the period	–	–	(217)	(217)
At 30 September 2007	1	2,573	(11,245)	(8,671)

Consolidated Cash Flow Statements

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Loss before tax	(11,979)	(322)	(194)	(217)	(1,110)
Adjustments for:					
Depreciation of property, plant and equipment	1	1	1	–	1
Impairment loss of avaliable-for-sale investments	–	–	–	–	927
Impairment loss recognised in respect of trade receivables	1,084	23	–	–	–
Interest income	–	(8)	(15)	(2)	(114)
Operating cash flows before movements in working capital	(10,894)	(306)	(208)	(219)	(296)
Decrease in trade receivables	1,440	919	543	143	–
Decrease/(increase) in deposits and other receivables	3,114	(6,445)	(4,251)	3,425	4,755
Increase in amounts due from fellow subsidiaries	–	(81,431)	(143,667)	(84,927)	(162,402)
Increase/(decrease) in accruals and other payables	409	(274)	184	205	891
Increase in amounts due to related parties	5,931	86,427	135,710	79,900	142,264
Cash used in operations	–	(1,110)	(11,689)	(1,473)	(14,788)
Interest received	–	8	15	2	114
Net cash used in operating activities	–	(1,102)	(11,674)	(1,471)	(14,674)

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	–	–	(7)	–	–
Purchase of available-for-sale investments	–	–	–	–	(4,823)
Net cash used in investing activities	–	–	(7)	–	(4,823)
Net decrease in cash and cash equivalents	–	(1,102)	(11,681)	(1,471)	(19,497)
Cash and cash equivalents at the beginning of the year/period	–	–	–	–	–
Effect of foreign exchange rate changes	–	1,102	11,681	1,471	19,497
Cash and cash equivalents at the end of the year/period	–	–	–	–	–
Analysis of balances of cash and cash equivalents					
Cash and bank balances	–	–	–	–	–

Notes to the Financial Information

1. GENERAL INFORMATION

World East was incorporated in the British Virgin Islands with limited liability. The address of the registered office of the Company is located at P.O. Box 3175, Road Town, Tortola, British Virgin Islands.

The principal activities of World East is investment holding and the principal activity of its subsidiaries are set out in note 16 to the Financial Information.

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

2. BASIS OF PREPARATION

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

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

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

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

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The World East Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[5]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]

HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estates[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[2]

[1] Effective for annual periods beginning on or after 1 January 2009.

[2] Effective for annual periods beginning on or after 1 July 2009.

[3] Effective for annual periods beginning on or after 1 July 2008.

[4] Effective for annual periods beginning on or after 1 October 2008.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

The Financial Information include the financial statements of World East and its subsidiary made up to 30 September 2008.

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

Subsidiary is consolidated from the date on which control is transferred to the World East Group and cease to be consolidated from the date on which the World East Group ceases to have control of the subsidiary. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

(b) Revenue recognition

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

(i) Theatrical income

Revenue from the distribution of film is recognised when the video products or master materials of film are delivered to customers and the title has passed.

(ii) Sub-licensing income

Revenue from sub-licensing of film rights is recognised upon delivery of master materials of films to customers.

(iii) Interest income

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

(iv) Sundry income

Sundry income is recognised when received.

(c) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

i. Calculation of recoverable amount

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

ii. Reversals of impairment losses

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

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

(d) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising from investment in subsidiaries except where the World East Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

(e) Property, plant and equipment

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

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

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

Office equipment	20%

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

(f) Interest in a subsidiary

A subsidiary is the entity over which the World East Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that currently exercisable or convertible are considered when assessing whether the World East Group controls another entity.

Interest in a subsidiary is stated in the financial statements of the World East Gruop at cost less provision for impairment loss.

(g) Financial instruments

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

Loans and receivables

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

(h) Trade and other receivables

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

(i) Cash and cash equivalents

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

(j) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

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

(k) Employee benefits

(i) Bonuses

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

(ii) Retirement benefit obligations

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

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

(l) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the World East Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

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

(m) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(n) Financial guarantees issued and provisions

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Trade debtors

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

(b) Useful lives of property, plant and equipment

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

6. SEGMENT INFORMATION

No business or geographical analysis of the World East Group's performance for the years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2007 and 2008 as the World East Group only generated theatrical and sub licensing income in the PRC.

7. TURNOVER

The World East Group is principally engaged in distribution of films and sub-licensing of film rights in the PRC through a PRC agent. Revenue recognised during the years/periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Theatrical income	6,684	–	–	–	–
Sub licensing income	3,756	–	–	–	–
	10,440	–	–	–	–

8. OTHER REVENUE

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest income	–	8	15	2	114
Sundry income	–	–	96	–	–
	–	8	111	2	114

9. LOSS FROM OPERATIONS

Loss from operations is stated at after charging the following:

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Auditors' remuneration	43	6	–	–	–
Depreciation of property, plant and equipment	1	1	1	–	1
Staff cost (including Directors' emoluments)	92	179	159	120	113

10. TAXATION

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

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits of certain subsidiaries in Hong Kong for the Relevant Periods. Taxation arising in on other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. Accordingly, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the nine months ended 30 September 2008.

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

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Loss before tax	(11,979)	(322)	(194)	(217)	(1,110)
Taxation at income tax rate of 16.5% (31 December 2005, 2006 and 2007 and 30 September 2007: 17.5%)	(2,096)	(56)	(34)	(38)	(183)
Tax effect of income that is not taxable in determining taxable profit	(1,827)	(1)	(19)	–	(19)
Tax effect of expenses that are not deductible in determining taxable profit	3,901	57	52	37	202
Tax losses not yet recognised	22	–	1	1	–
Tax charge for the years/periods	–	–	–	–	–

11. DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS

(a) Directors' emoluments

No emoluments were paid to the directors of World East for the Relevant Periods.

For the year ended 31 December 2005, 2006 and 2007 and nine months ended 30 September 2007 and 2008

	Fees	Salaries and bonuses	Mandatory provident fund	Share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Heung Wah Keung	–	–	–	–	–
Ms. Chen Ming Yen, Tiffany	–	–	–	–	–
Mr. Lei Hong Wai *(note i)*	–	–	–	–	–
	–	–	–	–	–

Note:

(i) Mr. Lei Hong Wai was resigned on 13 October 2005.

(b) Five highest paid individuals

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the World East Group had 5, 5, 3 and 3 staff respectively. The emoluments paid to the five highest paid individuals of the World East Group during the Relevant Periods were as follow:

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and Allowances	92	179	159	120	113
Contribution to retirement benefit scheme	–	–	–	–	–
	92	179	159	120	113

The emoluments were within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2005	2006	2007	2007	2008
				(Unaudited)	
Nil to HK$1,000,000	5	5	3	3	3

During the Relevant Periods, no emoluments were paid by the World East Group to any of the employees as inducements to join or upon joining the World East Group as compensation for loss of office.

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. DIVIDEND

The directors of World East do not recommend a payment of dividend nor transfer of any amount to reserves for the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures
	HK$'000
Costs:	
At 1 January 2005, 31 December 2005, 31 December 2006 and 1 January 2007	6
Additions	7
At 31 December 2007, 1 January 2008 and 30 September 2008	13
Accumulated depreciation:	
At 1 January 2005	–
Charge for the year	1
At 31 December 2005 and 1 January 2006	1
Charge for the year	1
At 31 December 2006 and 1 January 2007	2
Charge for the year	1
At 31 December 2007 and 1 January 2008	3
Charge for the period	1
At 30 September 2008	4
Net book value:	
At 31 December 2005	5
At 31 December 2006	4
At 31 December 2007	10
At 30 September 2008	9

15. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December			At 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	–	4,823
Less: Provision for impairment	–	–	–	(927)
	–	–	–	3,896

At the balance sheet dates, all available-for-sale investments were stated at cost.

The unlisted share of which fair value cannot be determined are measured at cost less impairment at each balance sheet dates because the range of reasonable fair value estimates is so significant that the directors of World East are of the opinion that their fair values cannot be measured reliably.

16. INTEREST IN A SUBSIDIARY

	At 31 December			At 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	469	469	469	469
Impairment loss recognised	–	–	–	–
	469	469	469	469
Amount due from a subsidiary	47	47	47	47
Provision for impairment loss	–	–	–	–
	516	516	516	516

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors of the World East Group, the carrying amount of the amount due from a subsidiary as at 31 December 2005, 2006, 2007 and at 30 September 2008 approximate to its fair values.

The carrying amount of the interest in a subsidiary is reduced to its recoverable amount which is determined by reference to the estimation of future cash flows expected to be generated from the subsidiary.

Details of the World East Group's subsidiaries at the Relevant Periods are set out as follows:

Name	Place of incorporation	Issued share capital/registered capital	Percentage of equity attributable to World East	Principal activities
上海昇平文化發展有限公司 ("CJV Partner")	PRC ordinary	500,000 shares of RMB1	100% (direct)	Distribution of films in PRC

17. TRADE RECEIVABLES

Aging analysis of trade receivables as at the end of each year/period are as follows:

	At 31 December			At 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	2,569	566	23	23
Less: Provisions of bad and doubtful debts	(1,084)	(23)	(23)	(23)
	1,485	543	–	–

Trade receivables are generally on 90 days credit terms.

The carrying amounts of trade receivables approximate to their fair values.

Aging of trade receivables which are past due but not impaired:

	At 31 December			At 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	1,485	543	–	–

At 31 December 2005, 2006 and 2007 and 30 September 2008, trade receivables of approximately HK$1,485,000, HK$543,000, HK$Nil and HK$ Nil were past due but not impaired. The World East Group is in negotiation with those customers for settlement of these debts. The directors of the World East are of the opinion that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality on these balances.

Aging of impaired trade receivables:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Over 90 days	1,084	23	23	23

18. DEPOSITS AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	19	18	17	18
Other receivables	671	7,117	11,369	6,613
	690	7,135	11,386	6,631

19. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

20. SHARE CAPITAL

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
50,000 ordinary shares of US$1 each	390	390	390	390
Issued and fully paid:				
1 ordinary share of US$1 each	1	1	1	1

21. RESERVES

World East

	Accumulated losses
	HK$'000
At 1 January 2005	(165)
Net loss for the year	(129)
At 31 December 2005 and 1 January 2006	(294)
Net loss for the year	–
At 31 December 2006 and 1 January 2007	(294)
Net loss for the year	(5)
At 31 December 2007 and 1 January 2008	(299)
Net loss for the period	–
At 30 September 2008	(299)

22. ACCRUALS AND OTHER PAYABLES

		At 31 December		**At 30 September**
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	727	184	638	1,529
Receipt in advance	5	5	6	6
Other payables	2	271	–	–
	734	460	644	1,535

23. AMOUNTS DUE TO RELATED PARTIES

	World East Group			
		At 31 December		**At 30 September**
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to an immediate holding company	–	98,578	234,288	376,552
Amounts due to fellow subsidiaries	12,151	–	–	–
	12,151	98,578	234,288	376,552

	World East			
	At 31 December			At 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to an immediate holding company	–	745	745	745
Amounts due to fellow subsidiaries	766	–	–	–
	766	745	745	745

The amounts to related parties due are unsecured, interest free and repayable on demand.

24. CONTINGENT LIABILITIES

The World East Group did not have any significant contingent liabilities as at the respective balance sheet dates.

25. LITIGATION

As at the date of the report, save as disclosed below, neither World East nor any of its subsidiary was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the directors to be pending or threatened against any member of the World East Group.

26. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, there was no other material related party transactions incurred during the Relevant Periods.

Compensation of any kind paid to the directors and other key management personnel of World East during the Relevant Periods were set out in note 11(a).

27. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The World East Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The World East Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the World East Group's financial performance.

(i) Foreign currency risk

The majority of the World East Group's monetary assets and monetary liabilities by value and the rental income are denominated in Renminbi ("RMB"). The conversion of RMB into other currencies is subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC. World East is exposed to foreign exchange risk in respect of exchange fluctuation of Hong Kong dollars against RMB. The World East Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The World East Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Credit risk

The World East Group has no significant concentrations of credit risk. The World East Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of each of the financial asset, including trade and other receivables, as reported on the balance sheet.

The World East Group's concentration of credit risk by geographical locations is mainly in the PRC.

(iii) Liquidity risk

The World East Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

The World East Group closely monitors its exposure to liquidity risk by reviewing the cash position report monthly. It analyses efficiency of fund management appropriately on the drawdown of bank loans and appoint dedicated personnel to ensure loans are serviced on a timely and accurate basis.

The following tables detail the World East Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the World East Group can be required to pay. The tables include both interest and principal cash flows.

	At 30 September 2008					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	–	1,535	–	–	–	1,535
Amounts due to related parties	–	–	376,552	–	–	376,552
	–	1,535	376,552	–	–	378,087

	At 31 December 2007					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	–	644	–	–	–	644
Amounts due to related parties	–	–	234,288	–	–	234,288
	–	644	234,288	–	–	234,932

	At 31 December 2006					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	–	460	–	–	–	460
Amounts due to related parties	–	–	98,578	–	–	98,578
	–	460	98,578	–	–	99,038

	At 31 December 2005					
	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 year to 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Accruals and other payables	–	734	–	–	–	734
Amounts due to related parties	–	–	12,151	–	–	12,151
	–	734	12,151	–	–	12,885

(b) Fair value estimation

The carrying amounts of the World East Group's financial assets, including trade receivables, deposits and other receivables and cash and bank balances, and financial liabilities, including accruals and other payables and amounts due to related parties, approximate to their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the World East Group for similar financial instruments.

In assessing the fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the World East Group are the current bid price.

The fair value of financial instrument that are not traded in an active market is determined by using valuation techniques. The World East Group uses a variety of methods, such as estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying values of the current financial assets and current financial liabilities approximate to their fair values.

(c) Capital risk management

The primary objective of the World East Group's capital management is to safeguard the World East Group's ability to continue as a going concern, maintains a strong credit rating and healthy ratios in order to support its business and enhance shareholder value.

The World East Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the World East Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or raise and repay debts. The World East Group's capital management objectives, policies or processes were unchanged during year ended 31 December 2005, 2006 and 2007 and for the nine months ended 30 September 2008.

World East monitors capital using gearing ratio, which is the World East Group's total borrowings over equity attributable to equity holders of World East. The gearing ratios as at 31 December 2005, 2006 and 2007 and 30 September 2008 were as follows:

	At 31 December			At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total borrowing	12,151	98,578	234,288	376,552
Equity attributable to equity holders of World East	(10,705)	(9,925)	1,562	19,949
Gearing ratio	N/A	N/A	14,999%	1,888%

Note:

(i) Borrowing includes amounts due to related parties.

28. SUBSEQUENT EVENTS

No significant events took place subsequent to 30 September 2008.

b. Management discussion and analysis of the World East Group

Track Record of the World East Group

The table below sets out the consolidated income statements of the World East Group for each of three years ended 31 December 2007 and the nine months ended 30 September 2007 and 2008.

	Year ended 31 December			Nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	10,440	–	–	–	–
Cost of sales	(11,968)	–	–	–	–
Gross loss	(1,528)	–	–	–	–
Other revenue	–	8	111	2	114
Impairment loss of available-for-sale investments	–	–	–	–	(927)
Administrative expenses	(10,451)	(330)	(305)	(219)	(297)
Loss from operations	(11,979)	(322)	(194)	(217)	(1,110)
Finance costs	–	–	–	–	–
Loss before tax	(11,979)	(322)	(194)	(217)	(1,110)
Taxation	–	–	–	–	–
Loss for the years/ periods	(11,979)	(322)	(194)	(217)	(1,110)

Overview

The World East Group distributed films for theatrical release in the PRC and sub-licensed the whole or part of film rights to other distributors or operators of pay or free-to-air and cable television in the PRC.

In 2004, the lifting of foreign film quota restrictions by the PRC Government has intensified the competition between Hollywood films and Hong Kong films. As the PRC first-tier cinemas have strong preference for exhibiting Hollywood films and the local television stations illegally broadcast the World East Group's films, the performance of the World East Group has also been adversely affected since 2004.

In view of the rampant piracy and the weak demand for Hong Kong-made movies in the PRC, Hong Kong film production companies has adopted a cautious approach in investing films since 2005. It results in a decrease in the number of Hong Kong-made movies produced yearly. As a result, the World East Group is not able to source a sufficient number of quality films at reasonable prices for distribution. Accordingly, the World East Group has scaled down its film distribution business.

Analysis on the results of operations of the World East Group during the three years ended 31 December 2007 and the nine months ended 30 September 2007 and 2008

Turnover

The turnover for the year ended 31 December 2005 amounted to HK$10,440,000. It represented the income generated from the distribution of 5 new films for theatrical release.

No turnover was recorded for the two years ended 31 December 2006 and 2007 and the nine months ended 30 September 2007 and 2008 as the World East Group was not able to source a sufficient number of quality films at reasonable prices for distribution.

Gross loss

The World East Group incurred a gross loss for the year ended 31 December 2005. This was mainly attributable to the income generated from the distribution of films and the sublicensing of film rights were adversely affected by the rampant piracy and the weak demand for Hong Kong-made movies in the PRC.

Other revenue

Other revenue for the year ended 31 December 2007 amounted to HK$111,000, an 1,288% increase as compared to HK$8,000 in the year ended 31 December 2006. The increase was mainly attributable to the recognition of a written-off of accounts payable of HK$96,000 in 2007.

Other revenue for the nine months ended 30 September 2008 amounted to HK$114,000, a 5,600% increase as compared to HK$2,000 in the nine months ended 30 September 2007. The increase was attributable to the increase in bank interest income.

Administrative expenses

Administrative expenses for the year ended 31 December 2006 amounted to HK$330,000, a 97% decrease as compared to HK$10,451,000 in the year ended 31 December 2005. The substantial decrease was attributable to the implementation of a cost-saving program to reduce the overhead and the slowdown of the World East Group's film distribution business in response to the adverse market conditions in 2006.

As the World East Group was not able to source a sufficient number of quality films at reasonable prices for distribution after 2005, the administrative expenses remained at a relatively low level and were fairly stable for the two years ended 31 December 2006 and 2007 and the nine months ended 2007 and 2008

Finance costs

No finance costs for the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2007 and 2008 were recorded by the World East Group as the advances made from an immediate holding company and the fellow subsidiaries were interestfree.

Taxation

No profits tax had been provided as the World East Group had no estimated assessable profits for the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2007 and 2008.

Analysis on the financial position of the World East Group during the three years ended 31 December 2007 and the nine months ended 30 September 2008

Liquidity and financial resources

During the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008, the World East Group funded its operation from the cash generated from its operations, cash advanced from an immediate holding company and the fellow subsidiaries.

As at 31 December 2005, the total borrowings of the World East Group amounted to HK$12,151,000 representing the advances from fellow subsidiaries which were unsecured, interest-free and had no fixed terms of repayment.

As at 31 December 2006, the total borrowings of the World East Group amounted to HK$98,578,000 representing an advance from an immediate holding company which were unsecured, interest-free and had no fixed terms of repayment.

As at 31 December 2007, the total borrowings of the World East Group amounted to HK$234,288,000 representing an advance from an immediate holding company which was unsecured, interest-free and had no fixed terms of repayment.

As at 30 September 2008, the total borrowings of the World East Group amounted to HK$376,552,000 representing an advance from an immediate holding company which was unsecured, interest-free and had no fixed terms of repayment.

Charges on assets

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the World East Group has no charges on its assets.

Net current assets/liabilities

As at 31 December 2005 and 2006, the net current liabilities of the World East Group were HK$10,710,000 and HK$9,929,000 respectively.

As at 31 December 2007 and 30 September 2008, the net current assets of the World East Group were HK$1,552,000 and HK$16,044,000 respectively.

The current ratios of the World East Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 were 0.17, 0.90, 1.01 and 1.04 respectively.

Acquisition of an investment

During the nine months ended 30 September 2008, the CJV Partner acquired a 3.3% interest in the registered capital of the JV Company from Beijing Urban Development Group Co. Ltd. at a consideration of HK$4,823,000.

Contingent liabilities

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the World East Group had no material contingent liabilities.

Capital structure

There was no change in the equity capital structure of World East or the CJV Partner for the three years ended 31 December 2007 and the nine months ended 30 September 2008.

Exchange risk and hedging

As the majority of the World East Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, the exchange risk of the World East Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes were used by the World East Group for the three years ended 31 December 2007 and the nine months ended 30 September 2008.

Staff, remuneration policies and retirement benefits

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the World East Group had 5, 5, 3 and 3 staff respectively. The World East Group recognised the importance of maintain remunerations at competitive levels and in line with industry practice. According to the relevant PRC rules and regulations, the staff of the World East Group is required to participate in employee retirement and insurance schemes for its eligible staff.

iii. Unaudited Pro Forma Financial Information of the Group as Enlarged by the Acquisitions of the interest in The Shinhan-Golden Group and World East Group

A. Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

I. Basis of preparation

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared in accordance with the Rules 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition took place on 31 December 2007.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2007 as set out in Appendix I to the Circular, the audited consolidated balance sheet of Shinhan-Golden Group and World East Group (the "Target Group") as set out in Appendix III and V to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the unaudited pro forma consolidated balance sheet of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2007, nor purport to predict the future financial position of the Enlarged Group.

The unaudited pro forma consolidated balance sheet of the Enlarged Group should be read in conjunction with the historical information of the Group as set out in the consolidated financial statements of the Group for the year ended 31 December 2007 as set out in Appendix I to the Circular and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the Acquisition.

II. *Unaudited pro forma consolidated balance sheets*

	The Group as at 31 December 2007	**Shinhan-Golden Group as at 30 September 2008**	**World East Group as at 30 September 2008**	**Sub-total**	**Pro forma adjustments**		**Pro forma adjustments**		**The Enlarged Group Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets									
Property, plant and equipment	6,712	20,406	9	27,127					27,127
Investment properties	–	905,393	–	905,393					905,393
Goodwill	–	–	–	–					–
Investments in jointly controlled entities	–	–	–	–					–
Available-for-sale investments	–	–	3,896	3,896			(3,896)	*4*	–
	6,712	925,799	3,905	936,416					932,520
Current assets									
Inventories	8,992	34,771	–	43,763					43,763
Trade receivables	4,195	219	23	4,437					4,437
Deposit paid, prepayments and other receivable	13,914	14,777	6,631	35,322					35,322
Financial assets at fair value through profit or loss	966	–	–	966					966
Derivative financial instruments	840	–	–	840					840
Amounts due from fellow subsidiaries	–	–	387,500	387,500			(387,500)	*5*	–
Amounts due from jointly controlled entities	562	–	–	562					562
Pledged deposits	5,949	–	–	5,949					5,949
Cash and cash equivalents	3,587	100,674	–	104,261	(5,582)	*1*			98,679
	39,005	150,441	394,154	583,600					190,518
Current liabilities									
Trade and bills payables	2,593	–	–	2,593					2,593
Other payables and accruals	15,114	11,518	1,535	28,167					28,167
Amount due to Riche	–	–	–	–	375,807	*6*			375,807
Receipts in advance	–	48,666	–	48,666					48,666
Derivative financial instruments	459	–	–	459					459
Interest-bearing bank and other borrowings	13,563	17,562	–	31,125					31,125
Amount due to a jointly controlled entity	675	–	–	675					675
Amount due to an immediate holding company	–	45,933	376,552	422,485	(375,807)	*6*	(46,678)	*3*	–
Amounts due to fellow subsidiaries	–	387,500	–	387,500			(387,500)	*5*	–
Tax payable	755	–	–	755					755
	33,159	511,179	378,087	922,425					488,247
Net current assets/(liabilities)	5,846	(360,738)	16,067	(338,825)					(297,729)
Total assets less current liabilities	12,558	565,061	19,972	597,591					634,791

	The Group as at 31 December 2007	Shinhan-Golden Group as at 30 September 2008	World East Group as at 30 September 2008	Sub-total	Pro forma adjustments	Notes	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*		*HK$'000*
Non-current liabilities									
Interest-bearing bank and other borrowings	805	302,717	–	303,522					303,522
Convertible notes	–	–	–	–	36,021	*1(ii)*			36,021
Promissory notes payable	–	–	–	–	60,018	*1(iii)*			60,018
Deferred tax liabilities	–	57,125	–	57,125	18,193	*1(iv)*			75,318
	805	359,842	–	360,647					474,879
Total assets and liabilities	11,753	205,219	19,972	236,944					159,912
Equity									
Share capital	12,470	74,100	1	86,571	1,177	*1(i)*	(74,101)	*2*	13,647
Reserves	(717)	127,223	19,971	146,477	95,128	*1(v)*	(95,340)	*3*	146,265
	11,753	201,323	19,972	233,048					159,912
Minority interest	–	3,896	–	3,896			(3,896)	*4*	–
	11,753	205,219	19,972	236,944					159,912

III. Notes to the unaudited pro forma consolidated balance sheets

Under HKFRS 3 Business Combination ("HKFRS 3") the Group will apply the purchase method to account for the acquisition of Target Group. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Target Group will be recorded on the consolidated balance sheet of the Group at their fair value at the date of Completion. Any goodwill or discount arising on the acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Group over the Group's interest in the net fair value of the identifiable assts, liabilities and contingent liabilities of Target Group at the date of Completion. Negative goodwill resulting from the business combination should be recognised immediately in the consolidated income statement.

1. The consideration for the Acquisition to be satisfied by the Company is HK$216,119,000. The consideration is to be satisfied by:

	HK$'000
Cash consideration	5,582
Fair value of shares issued by the Company *(i)*	50,019
Fair value of the convertible notes *(ii)*	100,000
Fair value of the promissory notes *(iii)*	60,018
	215,619
Add: transaction cost directly attributable to the Acquisition	500
Total Consideration	216,119

Note:

i. Pursuant to the agreement in respect of the Acquisition, the 117,691,940 ordinary shares of the Company with par value of HK$0.01 each will be issued on the actual date of completion (the "Consideration Shares"). The fair value of the shares to be issued is approximately HK$50,019,000 with reference to the market value of HK$0.425 per share of the Company's shares as at 31 December 2007. The actual value of the Consideration Shares would be different on the Completion Date.

ii. In accordance with the Hong Kong Accounting Standards 32 "Financial Instruments: Presentation", the convertible notes should be separated as liability portion and equity portion. In preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the fair value of the liability portion and equity portion of convertible notes were approximately HK$36,021,000 and HK$63,979,000 respectively has taken its fair value at 31 December 2007 as if it was issued on that date. The fair value of the liability portion of the convertible notes was calculated based on the discounted cash flow method.

iii. The fair value of promissory notes in the amount of HK$100,000,000 would be paid by the Company with a fixed term of five years and will not carry any interest. In preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the promissory notes has taken its fair value on 31 December 2007 as if it was issued on that date. The adjustment of approximately HK$60,018,000 represented the present value of the promissory notes which based on the calculation of the discounted cash flow method.

iv. The pro forma adjustment of approximately HK$18,193,000 represents deferred tax liabilities of approximately HK$11,196,000 and HK$6,997,000 arising from issue of convertible notes and promissory notes of the Hong Kong Profits Tax Rate of 17.5%.

v. The pro forma adjustment of approximately HK$95,128,000 reserves comprised of the followings:

	HK$'000
Share premium upon issued of the Consideration Shares	48,842
Equity component of the convertible notes, net of deferred tax liabilities	52,783
Deferred tax expenses for of the promissory notes	(6,997)
Expenses for transaction cost directly attributable to the Acquisition	500
	95,128

2. The pro forma adjustment represents the following:

The adjustment of approximately HK$74,101,000 represents the elimination of the share capital of Shinhan-Golden Group & World East Group approximately HK$74,100,000 & HK$1,000 respectively upon the consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 31 December 2007.

3. The pro forma adjustment of approximately HK$95,340,000 represents the following:

	HK$'000
Pre-acquisition reserves of Shinhan-Golden Group (i)	127,233
Pre-acquisition reserves of World East Group (i)	19,971
Minority interest of Shinhan-Golden Group held by World East Group (i)	3,896
Discount on the Acquisition (ii)	(55,750)
	95,340

i. Elimination of the pre-acquisition reserves of Shinhan-Golden Group & World East Group approximately HK$127,223,000 & HK$19,971,000 respectively and the minority interest of Shinhan- Golden Group of approximately HK$3,896,000 held by World East\ Group upon the consolidation as if the Acquisition was completed on 31 December 2007.

ii. Discount on the Acquisition of approximately HK$55,750,000 arising from the Acquisition which is derived from the calculation as follow:

	HK$'000
Total consideration, at fair value	216,119
Fair value of attributable interest:	
NAV of Shinhan-Golden Group	(205,219)
NAV of World East Group	(19,972)
Adjustment for sale loan:	
Shinhan-Golden Group	(45,933)
World East Group	(745)
Discount on the Acquisition	(55,750)

4. The pro forma adjustment of approximately HK$3,896,000 represents the elimination of the 3.33% registered capital of the JV Company which is held by World East Group upon the consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 31 December 2007.

5. The pro forma adjustment of approximately HK$387,500,000 representsc the elimination of the inter-company balance of Shinhan-Golden Group and World East Group upon the consolidation as if the Acquisition was completed on 31 December 2007.

6. The pro forma adjustment of approximately HK$375,807,000 represents the reallocation of the debt owed by the CJV Partner to Riche (the "CJV Partner's Loan") to amount due to Riche upon the consolidation as if the Acquisition was completed on 31 December 2007.

B. Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

The following is the unaudited pro forma consolidated income statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 January 2007. The unaudited pro forma consolidated income statement is based on the unaudited pro forma consolidated income statement of the Group for the year ended 31 December 2007 as set out in Appendix I of the Company's circular dated 23 January 2009 which provide information about how the Acquisition might have affected the financial information of the Group, the audited consolidated income statement of the Target Group for the year ended 31 December 2007 as set out in Appendix III and V to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

I. Unaudited pro forma consolidated income statements

	The Group for the year ended 31 December 2007	Shinhan-Golden Group for the year ended 31 December 2007	World East Group for the year ended 31 December 2007	Sub-total	Pro forma adjustments	Notes	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
Turnover									
Continuing operations	60,536	2,917	–	63,453					63,453
Discontinued operations	62	–	–	62					62
	60,598	2,917	–	63,515					63,515
Cost of sales	(22,830)	(858)	–	(23,688)					(23,688)
Gross profit	37,768	2,059	–	39,827					39,827
Other income	–	106,956	–	106,956					106,956
Other revenue and gains	6,212	172	111	6,495					6,495
Decrease in fair value of investment properties	–	43,853	–	43,853					43,853
Discount on acquisition of subsidiaries	–	–	–	–	55,750	7			55,750
Selling and distribution costs	(3,600)	–	–	(3,600)					(3,600)
Administrative expenses	(55,264)	(11,925)	(305)	(67,494)					(67,494)
Finance costs	(1,800)	(19,494)	–	(21,294)	(6,999)	8	(500)	10	(28,793)
Share of loss of jointly controlled entities	(4)	–	–	(4)					(4)
Impairment of goodwill	(75,552)	–	–	(75,552)					(75,552)
Profit/(loss) before tax									
Continuing operations	(92,580)	121,621	(194)	28,847					77,098
Discontinuing operations	340	–	–	340					340
	(92,240)	121,621	(194)	29,187					77,438
Tax									
Continuing operations	–	(13,156)	–	(13,156)			2,252	9	(10,904)
Discontinued operations	–	–	–	–					–
	–	(13,156)	–	(13,156)					(10,904)
Profit/(loss) attributable to Shareholders									
Continuing operations	(92,580)	108,465	(194)	15,691					66,194
Discontinued operations	340	–	–	340					340
	(92,240)	108,465	(194)	16,031					66,534

II. Notes to the unaudited pro forma consolidated income statement

7. The pro forma adjustment of approximately HK$55,750,000 represents discount on the Acquisition. In the opinion of the directors, the effect of discount on the Acquisition would be fairly presented on the unaudited pro forma consolidated income statement, if assuming that the Acquisition has been completed on 31 December 2007. Details please refer to note 3ii of the Unaudited Pro Forma Financial Information of the Enlarged Group.

8. The pro forma adjustment of approximately HK$6,999,000 represents the effect of annual finance cost of imputed interest expenses of the convertible note and the promissory note of approximately HK$2,552,000 and HK$4,447,000 respectively in the consolidated income statement of the Enlarged Group with the imputed interest rate of 11.75% for the year ended 31 December 2007. These interest expenses will have continuing effect on the financial statements of the Enlarged Group in subsequent years.

9. The pro forma adjustment of approximately HK$2,252,000 represents the adjustment of the deferred tax effect of the convertible notes & the promissory note of approximately HK$1,092,000 and HK$1,160,000 respectively in the unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2007.

10. The pro forma adjustment of approximately HK$500,000 represents the adjustment of the transaction cost directly attributable to the Acquisition for the year ended 31 December 2007.

C. Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 January 2007. The unaudited pro forma consolidated cash flow statement is based on the unaudited pro forma consolidated cash flow statement of the Group for the year ended 31 December 2007 as set out in Appendix I of the Company's circular dated 23 January 2009 which provide information about how the Acquisition might have affected the financial information of the Group, the audited consolidated income statement of the Target Group for the year ended 31 December 2007 as set out in Appendix III and V to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

I. Unaudited pro forma consolidated cash flow statement

	The Group for the year ended 31 December 2007	**Shinhan-Golden for the year ended 31 December 2007**	**World East for the year ended 31 December 2007**	**Sub-total**	**Pro forma adjustments**		**Pro forma adjustments**		**The Enlarged Group Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
Operating activities									
Profit/(loss) before tax									
Continuing operations	(92,580)	121,621	(194)	28,847	48,251	*11*			77,098
Discontinued operations	340	–	–	340					340
Adjustment for:									
Finance costs	1,800	19,494	–	21,294	500	*10*	6,999	*12*	28,793
Interest income	(247)	(139)	(15)	(401)					(401)
Depreciation	2,991	595	1	3,587					3,587
Discount on acquisition of a subsidiary	–	–	–	–			(55,750)	*13*	(55,750)
Impairment of goodwill	75,552	–	–	75,552					75,552
Impairment of intangible assets	4,047	–	–	4,047					4,047
Impairment of trade receivable	490	–	–	490					490
Amortisation of intangible assets	673	–	–	673					673
Equity-settled share option expenses	98	–	–	98					98
Share of loss of jointly controlled entities	4	–	–	4					4
Loss on disposal of property, plant and equipment	501	–	–	501					501
Gain on disposal of subsidiaries	(385)	–	–	(385)					(385)
Increase in fair value of investment properties	–	(43,853)	–	(43,853)					(43,853)
Fair value gain on financial assets at fair value through profit or loss	(4)	–	–	(4)					(4)
Fair value gain on derivative financial instruments	(381)	–	–	(381)					(381)
Operating cash flow before movements in working capital	(7,101)	97,718	(208)	90,409					90,409
(Increase)/decrease in inventories	(6,349)	12,371	–	6,022					6,022
(Increase)/decrease in trade receivable	(2,476)	(849)	543	(2,782)					(2,782)
Increase in deposits, prepayment and other receivable	(9,316)	(8,312)	(4,251)	(21,879)					(21,879)
Decrease in financial assets at fair value through profit or loss	5,228	–	–	5,228					5,228
Decrease in derivative financial instruments	92	–	–	92					92
Increase in amounts due from fellow subsidiaries	–	–	(143,667)	(143,667)			143,667	*15*	–
Increase in amounts due to fellow subsidiaries	–	143,667	–	143,667			(143,667)	*15*	–
Increase in amount due to an immediate holding company	–	1,926	135,710	137,636			(137,636)	*16*	–
Increase in amount due to Riche	–	–	–	–			137,636	*16*	137,638
Decrease in trade and bills payables	(523)	–	–	(523)					(523)

	The Group for the year ended 31 December 2007	Shinhan-Golden for the year ended 31 December 2007	World East for the year ended 31 December 2007	Sub-total	Pro forma adjustments	Notes	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
(Increase)/decrease in other payables and accruals	12,237	(3,092)	184	9,329					9,329
Decrease in receipts in advances	–	(13,858)	–	(13,858)					(13,858)
Increase in amount due to a jointly controlled entity	675	–	–	675					675
Cash (used in)/generated from operation	(7,533)	229,571	(11,689)	210,349					210,349
Interest received	247	139	15	401					401
Tax paid	(321)	–	–	(321)					(321)
Net cash (used in)/generated from operating activities	(7,607)	229,710	(11,674)	210,429					210,429
Investing activities									
Disposal of subsidiaries	50	–	–	50					50
Purchases of shareholding in jointly controlled entities	(4)	–	–	(4)					(4)
Advances to jointly controlled entities	(562)	–	–	(562)					(562)
Purchase of property, plant and equipment	(7,249)	(4,890)	(7)	(12,146)					(12,146)
Purchase of renovation of investment properties	–	(116,960)	–	(116,960)					(116,960)
Payments to acquire subsidiaries	–	–	–	–			(5,582)	14	(5,582)
Increase in pledged time deposits	(5,949)	–	–	(5,949)					(5,949)
Net cash used in investing activities	(13,714)	(121,850)	(7)	(135,571)					(141,153)
Financing activities									
Interest paid	(1,056)	(19,494)	–	(20,550)					(20,550)
Proceeds from issue of shares	24,415	–	–	24,415					24,415
Redemption of convertible notes	(1,000)	–	–	(1,000)					(1,000)
New bank loans	3,807	71,281	–	75,088					75,088
Repayment of bank loans	(7,202)	–	–	(7,202)					(7,202)
Increase in trust receipt loans	4,577	–	–	4,577					4,577
Repayments of capital element of finance leases	(395)	–	–	(395)					(395)
Net cash generated from financing activities	23,146	51,787	–	74,933					74,933
Net increase/(decrease) in cash and cash equivalents	1,825	159,647	(11,681)	149,791					144,209
Cash and cash equivalents at the beginning of year/period	955	5,799	–	6,754					6,754
Exchange reserves		(126,311)	11,681	(114,630)					(114,630)
Cash and cash equivalents at the end of year/period	2,780	39,135	–	41,915					36,333
Analysis of balances of cash and cash equivalents									
Cash and bank balances	3,587	39,135	–	42,722			(5,582)		37,140
Bank overdrafts	(807)	–	–	(807)					(807)
	2,780	39,135	–	41,915					36,333

II. Notes to the unaudited pro forma consolidated cash flow statement

11. The pro forma adjustment to the consolidated cash flow statement of approximately HK$48,251,000 represents the recognition of the discount on acquisition of subsidiaries of approximately HK$55,750,000, the transaction costs directly attributable to the Acquisition of approximately HK$500,000 and finance cost of approximately HK$6,999,000 for the purpose of adjusting the profit before taxation.

12. The pro forma adjustment of approximately HK$6,999,000 represents the annual finance cost of imputed interest expenses of the Convertible note and the Promissory Note approximately HK$2,552,000 and HK$4,447,000 respectively to be expensed in the consolidated income statement of the Enlarged Group with the imputed interest rate of 11.75% for the year ended 31 December 2007. These interest expenses will have the continuing effect on the financial statements of the Enlarged Group in subsequent years.

13. The pro forma adjustment of approximately HK$55,750,000 represents discount on the Acquisition. In the opinion of the directors, the effect of discount on the Acquisition would be fairly presented on the unaudited pro forma consolidated cash flow statement, if assuming that the Acquisition has been completed on 31 December 2007. Details please refer to note 3ii of the Unaudited Pro Forma Financial Information.

14. The pro forma adjustment of approximately HK$5,582,000 represents the cash payment as part of the consideration of the Acquisition.

15. The pro forma adjustment of approximately HK$143,667,000 represents the elimination of the inter-company balances of Shinhan-Golden Group and World East Group upon the consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 31 December 2007.

16. The pro forma adjustment of approximately HK$137,636,000 represents the reallocation of the CJV Parter's Loan to other receivable upon the consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 31 December 2007.

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 13 of Appendix 1B and rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been completed on 31 December 2008.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Open Offer been completed as at 31 December 2008 or any future date.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the audited consolidated net liabilities of the Group as at 31 December 2008, as set out on Appendix I to this Circular. Unless otherwise defined, capitalised terms used in the following text shall have the same meaning of those used in this Circular.

	Audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at 31 December 2008	**Estimated net proceeds from the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2008 upon completion of the Open Offer**
	(Note 1)	*(Note 2)*	
	HK$'000	*HK$'000*	*HK$'000*
Based on Minimum Number of Shares to be issued *(Note 2)*	(42,260)	45,330	3,070
Based on Maximum Number of Shares to be issued *(Note 2)*	(42,260)	54,440	12,180

Audited consolidated net tangible liabilities of the Group per Share attributable to the equity holders of the Company as at 31 December 2008 prior to completion of the Open Offer *(Note 3)*	(HK$1.285)
Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the equity holders of the Company as at 31 December 2008 upon completion of the Open Offer (Based on Minimum Number of Shares to be issued) *(Note 4)*	HK$0.006
Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the equity holders of the Company as at 31 December 2008 upon completion of the Open Offer (Based on Maximum Number of Shares to be issued) *(Note 5)*	HK$0.021

Notes:

1. The audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at 31 December 2008 is based on the consolidated net liabilities of the Group attributable to the equity holders of the Company as at 31 December 2008 of approximately HK$42,260,000, as extracted from Appendix I to this Circular.

   On 24 December 2008, the Board announced that the Company proposed to effect a consolidation of Shares of every ten ordinary shares into one consolidated ordinary share (the "Share Consolidation"). The Share Consolidation became effective on 6 April 2009. The number of ordinary Shares in issue adjusted from 328,926,613 ordinary Shares to 32,892,661 consolidated ordinary Shares.

2. On 23 April 2009, the Company and Kingston Securities Limited (the "Underwriter") entered into an Underwriting Agreement (the "Underwriting Agreement"). Pursuant to the Underwriting Agreement, Underwriter has conditionally agreed to underwrite not less than 368,397,800 Offer Shares and not more than 461,353,000 Offer Shares under the Open Offer. In the meantime, Riche, being the legal and beneficial owner of 11,769,194 Shares and the holder of the CS Convertible Bond, has given the Riche Undertaking in favour of the Company and Kingston Securities Limited (i) to subscribe for 94,153,552 Offer Shares to which Riche is entitled under the Open Offer; and (ii) not to exercise any of its conversion rights attached to the CS Convertible Bond on or before the Record Date.

   As a result of the Underwriting Agreement and the Riche Undertaking, a minimum of 462,551,352 Offer Shares and a maximum of 555,506,552 Offer Shares would be issued respectively. The estimated net proceeds from the Open Offer of approximately HK$45,330,000 and HK$54,440,000 are calculated based on 462,551,352 Offer Shares and 555,506,552 Offer Shares to be issued respectively at the subscription price of HK$0.10, net of estimated related expenses.

   The number of Shares will be increased from 32,892,661 to 495,444,013 ("Minimum Number of Shares to be issued") if the Underwriter underwrote 368,397,800 Offer Shares and Riche subscribed for 94,153,552 Offer Shares. The number of Shares will be increased from 32,892,661 to 588,399,213 ("Maximum Number of Shares to be issued") if the Underwriter underwrote 461,353,000 Offer Shares and Riche subscribed for 94,153,552 Offer Shares.

3. The unaudited pro forma adjusted consolidated net tangible liabilities of the Group per Share attributable to the equity holders of the Company as at 31 December 2008 prior to completion of the Open Offer is calculated based on the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the equity holders of the Company prior to completion of the Open Offer of approximately HK$42,260,000 divided by 32,892,661 Shares in issue prior to completion of the Open Offer. (Refer to note 1 for details of the 32,892,661 Shares to be issued)

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the equity holders of the Company as at 31 December 2008 upon completion of the Open Offer (based on Minimum Number of Shares to be issued) is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company upon completion of the Open Offer of approximately HK$3,070,000 divided by 495,444,013 Shares in issue upon completion of the Open Offer. (Refer to note 2 for details of the 495,444,013 Shares to be issued)

5. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the equity holders of the Company as at 31 December 2008 upon completion of the Open Offer (based on Maximum Number of Shares to be issued) is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company upon completion of the Open Offer of approximately HK$12,180,000 divided by 588,399,213 Shares in issue upon completion of the Open Offer. (Refer to note 2 for details of the 588,399,213 Shares to be issued)

6. On 19 November 2008, the Company and Kingston Securities Limited (the "Underwriter") entered into an underwriting agreement as supplemented by the supplemental agreement dated 27 November 2008 (the "Previous Underwriting Agreement"). Pursuant to the Previous Underwriting Agreement, the Underwriter must take up the underwriting shares in full if none of the Shareholders take up their respective entitlements to the offer shares under the open offer (the "Previous Open Offer"). The result of the Previous Open Offer was announced by the Board on 8 January 2009, a total number of 131,570,645 offer shares were offered under the Previous Open Offer and the net proceeds received from the Previous Open Offer by the Company was approximately HK$5,700,000.

7. On 26 November 2008, Mega Shell Services Limited ("Mega Shell"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with Riche (BVI) Limited ("Riche"), a wholly-owned subsidiary of the China Star Investment Holdings Limited, relating to the acquisition of the entire issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and World East Investments Limited ("World East") from Riche at a consideration of HK$211,466,310 (subject to adjustment). Pursuant to the Agreement, part of the consideration HK$5,884,597 was settled by issuance of 11,769,194 new Shares of the Company (adjusted for the capital reorganisation of the Company as completed on 6 April 2009). On 8 April 2009, acquisition of the entire issued share capital of Shinhan-Golden and World East by Mega Shell was completed. Except the issuance of 11,769,194 new Shares, there was no impact on the net tangible liabilities of the Group upon completion of this transaction.

8. On 23 April 2009, the Company entered into a conditional placing agreement with Kingston Securities Limited (the "Placing Agent") in relation to placing of 11,560,000 Shares (the "Placing") and the estimated net proceeds from the Placing would be approximately HK$2,312,000, net of estimated related expenses. The Placing is not yet completed as at the date of this Circular.

9. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2008. The effects of the Previous Open Offer, the issuance of 11,769,194 new Shares of the Company in relation to the acquisition of the entire issued share capital of Shinhan-Golden and World East by Mega Shell and the proposed Placing, as stated in notes 6, 7 and 8 respectively, are not included in this unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as they are not directly attributable to the Open Offer.

2. Letter from the reporting accountants on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group

The following is the text of the report, prepared for the sole purpose of inclusion in this Circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, in connection with the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group set out in this appendix.

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

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

14 May 2009

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

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of Golife Concepts Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the open offer of not less than 462,551,352 offer shares and not more than 555,506,552 offer shares to the qualifying shareholders at the subscription price of HK$0.10 per offer share on the basis of eight offer shares for every one existing share held on the record date and payable in full on application (the "Open Offer") might have affected the financial information of the Group presented, for inclusion in Appendix II to the circular dated 14 May 2009 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 192 to 194 of the Circular.

Respective responsibilities of the directors of the Company and the reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any report previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions made by the directors of the Company and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2008 or any future date.

Opinion

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The principal statute in the Cayman Islands governing the operation of the Company is The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). Upon continuation of the Company in Bermuda, the governing statute will be The Companies Act 981 of Bermuda (the "Companies Act"). In general, many of the provisions of both the Companies Law and the Companies Act have been taken from the Companies Act, 1948 of the United Kingdom although their application has, in certain instances, been adapted to conform to general concepts of company law in the Cayman Islands and in Bermuda, respectively. In some circumstances, however, certain statutory provisions of the Companies Law and the Companies Act differ quite substantially from their equivalent in the United Kingdom Companies Act. In Bermuda, certain aspects of Canadian company law have been included in the Companies Act. Generally, principles of English company law apply in Cayman and Cayman courts will look to English decisions for guidance in interpreting these principles, subject to the statutory differences. Similarly, in Bermuda, the courts treat English common law relating to companies as of strong persuasive authority. Further a court is directed by the Interpretation Act, 1951 of Bermuda to apply as nearly as practicable the rules for interpretation and construction of provisions of law which are applicable in England to the interpretation and construction of statutory provisions of Bermuda law.

The following is a summary of the differences of certain provisions of the Companies Law and the Companies Act.

	CAYMAN	BERMUDA
Directors, officers and representatives	The minimum number of directors of a Cayman company is one. There is no requirement that any of the directors be resident in Cayman. Corporate directors are permitted. An exempted company may in its articles provide that a director must hold at least one share in the company. An exempted company must have such officers as are prescribed by its articles.	The minimum number of directors of a company is two. An exempted company must satisfy one of certain Bermuda residency requirements, namely: appoint (i) two directors, or (ii) a secretary and a director, or (iii) a secretary and a resident representative, each of whom must be individuals ordinarily resident in Bermuda. Public companies may appoint a resident representative only, whether a corporation or an individual. Corporate directors are not permitted. The constitutional documents of an exempted company are its memorandum of association and bye-laws.

	CAYMAN	BERMUDA
Constitutional documents	The constitutional documents of an exempted company are its memorandum and articles of association. An exempted company may register articles. The articles only bind the company and its members when registered. The articles of association provide for the regulation of a company's affairs and will set out the rights and duties as between the company, the shareholders and the directors. The articles of association are not generally available for inspection by the public. Where articles have been registered, a copy of every "special resolution" must also befiled with the Registrar either annexed to or embodied in the articles.	The memorandum of association is filed with the Registrar and is available for public inspection. The bye-laws will generally prescribe the rights and duties as between the company, the shareholders and the directors. The bye-laws of a Bermuda company are not filed with the Registrar and are not available for public inspection.

	CAYMAN	**BERMUDA**
Share premium and contributed surplus	When a company issues shares at a premium, the amount of the premium will generally be transferred to the share premium account. The money in the share premium account may be applied, subject to the provisions of the memorandum and articles of association, in such manner as the company may, from time to time, determine including, but without limitation, among other things, paying distributions or dividends to members.	When a company issues shares at a premium, the premium will be transferred to the share premium account and its use is more restrictive than that under Companies Law. Share premium is not distributable but it may be used to pay up unissued shares to be issued to members of the company as fully paid bonus shares. Where premium arises from an exchange of shares, however, the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus can, among other things, be distributed to the shareholders subject to there being reasonable grounds for believing that, after the payment (a) the company would be able to pay its liabilities as they become due; and (b) the realizable value of the company's assets would thereby be more than the aggregate of its liabilities and its issued share capital and share premium account.

	CAYMAN	BERMUDA
Financial assistance	There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. A company may therefore provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.	The Companies Act includes financial assistance provisions historically intended to preserve the capital of a company. However, financial assistance is not prohibited in circumstances where, after the giving of any such assistance, the company will be able to pay its liabilities as they become due.

	CAYMAN	BERMUDA
Shareholders' meetings	An exempted company is not required to hold an annual general meeting. A meeting of shareholders, or a class of shareholders, may be validly convened and business conducted, subject to the memorandum and the articles, with only one shareholder present in person, or as the articles provide, on such notice to shareholders as the articles prescribe. Articles may provide for general meetings of shareholders to be called only by the directors or at the written request of shareholders in accordance with the articles. Where there is no contrary provision in the articles, a meeting shall be duly summoned where 5 days' notice is served on every member, 3 members are competent to summon the meeting, and any person elected by the members present is competent to preside as chairman. Shareholders' meetings need not be held in Cayman.	An exempted company must hold an annual general meeting once in every calendar year. A meeting of shareholders may be validly convened, subject to the bye-laws, with at least one person present representing shareholders. The Companies Act provides that the minimum notice with respect to the calling of the annual general meeting or any special general meeting is five days — shorter notice periods require special agreement of the members. The bye-laws may further extend this notice period. Upon the request of shareholders holding at the date of the request not les than 10% of the paid up capital of the company, the directors are required to convene a special general meeting. Shareholders' meetings need not be held in Bermuda. Shareholders may vote at general meetings in person or by proxy. The holder of a proxy may, but need not, be a shareholder. A corporate shareholder of an exempted company may appoint such person as it thinks fit to be its representative at general meetings. The holder of more than one share may appoint more than one proxy.

	CAYMAN	BERMUDA
Voting	Shareholders may vote at general meetings in person. In so far as the company's articles provide, shareholders may vote by proxy; the holder of a proxy may, but need not, be a shareholder and a corporate shareholder of the company may appoint such person as it thinks fit to be its representative at any general meeting of the company or class of shareholders of the company. The Companies Law requires that certain decisions of the shareholders in general meeting must be approved by a "special resolution". A resolution will be a special resolution when passed by a majority of not less than two-thirds (or such greater number as specified in the articles) of the shareholders who vote in person or by proxy at a general meeting and notice of the meeting specified the intention to propose a special resolution. A special resolution will also be made when, if authorized in the articles, a special resolution in writing is approved and signed by all shareholders entitled to vote at a general meeting. Except as aforesaid, resolutions require to be approved by simple majority. Where no regulations are made as to voting, every member has one vote.	Unless the bye-laws provide otherwise, resolutions of shareholders generally require to be approved by a simple majority. Resolutions may be approved by unanimous written consent.

	CAYMAN	BERMUDA
Redemption and repurchase of shares	An exempted company may, if authorized by its articles, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or the shareholder, and it may purchase its own shares, including any redeemable shares. A redemption or purchase may be made out of profits, or the proceeds of a fresh issue of shares made for the purpose of the redemption or purchase, or, under certain circumstances, out of capital. No redemption or purchase may take place unless the shares are fully paid, or if as a result of the redemption or purchase, there would no longer be any other member of the company holding shares. Shares redeemed are treated as cancelled and are available for reissue. An exempted company cannot hold shares in treasury.	Where an exempted company has the power to redeem or repurchase its shares, the manner of effecting such redemptions or purchases must be set out in the bye-laws. A redemption or purchase must be made out of the capital paid up thereon and any related share premium, or profits, or the proceeds of a fresh issue of shares. No redemption or purchase may take place if, as a result of such redemption or purchase, the issued and outstanding shares of the company would represent less than the minimum authorized capital or if there are reasonable grounds for believing that the company would be unable to pay its liabilities as they become due. Shares redeemed or purchased are treated as cancelled and are available for reissue.
Increase of share capital	A company can increase its share capital if authorized by its articles. The articles may provide that this be done by ordinary resolution of the shareholders in general meeting.	The authorized share capital of the company may be increased if authorized by its bye-laws and by resolution of shareholders in general meeting. A memorandum of increase must be filed within 30 days of the increase with the Registrar.

	CAYMAN	BERMUDA
Reduction of share capital	Subject to the provisions of the Companies Law and to confirmation by the court, a company, if so authorized by its articles, may reduce its share capital by special resolution of its shareholders. After the resolution is passed, the company may apply to the court for an order confirming the reduction. A copy of the order of the court and a minute approved by the court setting out particulars prescribed in the Companies Law must be registered with the Registrar. A notice of the registration must be published in the manner directed by the court.	A company may reduce its share capital if authorized by a general meeting of shareholders, provided that publication of the intention to reduce the capital has been made in a newspaper in Bermuda and there are no reasonable grounds for believing that the company is, or after the reduction would be, unable to pay its liabilities as they become due. A memorandum of reduction of share capital must be filed with the Registrar.
Dividends	Dividends may only be paid from profits. The Companies Law prohibits companies from paying a distribution or dividend to shareholders out of share premium account unless, immediately following the date on which the proposed payment is to be made, the company is able to pay its debts as they fall due in the ordinary course of business.	An exempted company may, subject to its bye-laws, by resolution of the directors declare and pay a dividend, or make a distribution out of contributed surplus, provided there are reasonable grounds for believing that after any such payment (a) the company will be solvent and (b) the realizable value of its assets will be greater than the aggregate of its liabilities, issued share capital and share premium account.

	CAYMAN	BERMUDA
Protection of minority shareholders	Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up. In the case of a company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.	Shareholders are entitled to complain to the court under the Companies Act that the affairs of a Bermuda company are being conducted in a manner which is oppressive or prejudicial to the shareholders or a part of them. A Bermuda company may be wound up by the court if the court is of the opinion that it is just and equitable that the company should be wound up. A complaint by a shareholder that the affairs of a company are being conducted or have been conducted in a manner oppressive or unfairly prejudicial to the interest of some part of the members would be considered one of the just and equitable grounds.
Stamp duty	No stamp duty is payable on a transfer of shares of a Cayman company except that which hold interests in land in the Cayman. Certain documents are subject to stamp duty which is generally a nominal amount.	No stamp duty is payable on a transfer of shares of a Bermuda company or in respect of any instrument executed by an exempted company or in respect of an instrument relating to an interest in an exempted company. Stamp duty may be payable in respect of transactions involving Bermuda property.

	CAYMAN	BERMUDA
Taxation	No taxes are imposed in Cayman upon an exempted company or its shareholders. An exempted company is entitled to receive an undertaking from the Cayman government such that no law enacted in Cayman imposing any tax to be levied on profits, income, gains or appreciation or which is in the nature of estate duty or inheritance tax shall apply to an exempted company, or its shares or by withholding for a period of up to twenty years, which is usually renewable for a further ten years upon expiry.	No taxes are imposed in Bermuda on an exempted company or its shareholders, other than on shareholders ordinarily resident in Bermuda. An exempted company may apply for and is likely to receive from the Minister of Finance an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not until March 2016 be applicable to the company or to any of its operations or to the shares, debentures or other obligations of the company except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the company or any land leased or let to the company.

Set out below is a summary of the provisions of the new memorandum of continuance (the "New Memorandum") and the bye-laws of the Company ("Bye-laws") upon continuation in Bermuda and their differences with the memorandum (the "Memorandum") and articles of association (the "Articles") of the Company prior to the re-domicile of the Company from the Cayman Islands to Bermuda.

1. THE MEMORANDUM AND THE NEW MEMROANDUM

The Memorandum states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and that the Company shall have full power and authority to carry out any object not prohibited by any law as provided by the Companies Law, that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by the Companies Law and, as an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

Upon continuance of the Company in Bermuda, the Company will adopt the New Memorandum which, upon filing with and registration by the Bermuda Registrar, will in effect be the Company's new memorandum of association. The New Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The New Memorandum also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the New Memorandum empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the "board") upon such terms and subject to such conditions as it thinks fit.

2. THE ARTICLES AND THE BYE-LAWS

(a) Directors

(i) Power to allot and issue shares and warrants

Summary

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine or if there has not been any such determination or so far as the same may not make specific provision, as the board may determine. Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or the holder if so authorised by its memorandum of association, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

Material differences

The corresponding provisions of the Articles relating to the power of directors to allot and issue shares and warrants are substantially the same.

Under the Articles, no shares of the Company may be issued at a discount except in accordance with the provisions of the Companies Law.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

Summary

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

Material differences

The Articles do not contain any prohibition or restriction on the disposal of the assets of the Company or any of its subsidiaries.

(iii) Compensation or payments for loss of office

Summary

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

Material differences

The Articles contain similar provisions.

(iv) Loans and provision of security for loans to Directors

Summary

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors.

Material differences

There are provisions in the Articles prohibiting the making of loans to a Director of the Company or a director of any holding company of the Company or to any of their respective associates (as defined by the rules, where applicable, of the Designated Stock Exchange (as defined in the Articles)).

(v) Financial assistance to purchase shares of the Company

Summary

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

Material differences

The Articles only permit the Company to give financial assistance for the purchase of its shares if the purchase is allowed by the Companies Law and made in compliance with the rules of the Stock Exchange and any other relevant regulatory body.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

Summary

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

Material differences

The Articles contain substantially similar provisions.

(vii) Remuneration

Summary

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Material differences

The Articles contain substantially similar provisions.

(viii) Retirement, appointment and removal

Summary

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

Material differences

The Articles contain substantially similar provisions. There is however no requirement to serve any notice on the Director who is being removed nor is there any provision allowing such director to be heard on the motion for his removal.

(ix) Borrowing powers

Summary

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

Material differences

The Articles contain substantially similar provisions.

(b) Alterations to constitutional documents

Summary

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Continuance, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

Material differences

Under the Articles, any alteration to the Memorandum and the Articles requires the sanction of a special resolution.

(c) Alteration of capital

Summary

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Continuance;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

Material differences

Save for paragraphs (v) and (vi) of the above summary, Article 4 of the Articles contain similar provisions. The Company may also by special resolution reduce any capital redemption reserve.

(d) Variation of rights of existing shares or classes of shares

Summary

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Material differences

The Articles contain substantially similar provisions.

(e) Special resolution-majority required

Summary

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Bye-Laws), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

Material differences

The definition of special resolution under the Articles is the same except for the additional ten clear business days notice requirement. In the case of a meeting convened for the purpose of passing a special resolution, 21 days' notice in writing at the least must be given to all the members for the time being of the Company.

(f) Voting rights

Summary

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Material differences

The Articles provided that voting shall be by way of a show of hands except where a poll is demanded or required under applicable laws and regulations and there was no provision to require the Company not to count votes cast by or on behalf of a shareholder in contravention of the rules of the Designated Stock Exchange (as defined in the Articles).

(g) Requirements for annual general meetings

Summary

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

Material differences

Similarly, the Company must hold a general meeting as its annual general meeting and not more than 15 months shall elapse between the date of one annual general meeting and the next. However, the first annual general meeting of the Company may be held at any time within 18 months of its incorporation.

(h) Accounts and audit

Summary

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

Material differences

The Articles require proper books of account to be kept at the registered office of the Company or such other place or places as the board decides and shall always be open to inspection by the Directors. There is no provision in the Articles in relation to the provision of summary financial statements.

(i) Notices of meetings and business to be conducted thereat

Summary

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of not less than twentyone (21) clear days and not less than ten (10) clear business days in writing, and any other special general meeting shall be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

Material differences

The Articles contain substantially similar provisions except for the additional twenty-one or ten clear business days notice requirements. A notice convening a meeting to pass a special resolution shall specify the intention to propose the relevant resolution as a special resolution.

(j) Transfer of shares

Summary

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

Material differences

The Articles contain substantially similar provisions.

(k) Power for the Company to purchase its own shares

Summary

The Bye-laws supplement the Company's New Memorandum (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

Material differences

The Articles provide that subject to the provisions of the Companies Law and the rules of the Stock Exchange, the Company may repurchase its own shares on such terms as the Directors may deem fit.

(l) Power for any subsidiary of the Company to own shares in the Company

Summary

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

Material differences

Similarly, the Articles do not contain any a provision.

(m) Dividends and other methods of distribution

Summary

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

Material differences

The Articles contain substantially similar provisions save that dividend must be paid out of profits and reserves available for distribution including share premium and there is no reference to contributed surplus which is distributable under Bermuda law.

(n) Proxies

Summary

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

Material differences

The Articles contain substantially similar provisions.

(o) Call on shares and forfeiture of shares

Summary

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

Material differences

The Articles contain substantially similar provisions to the Bye-laws.

(p) Inspection of register of members

Summary

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

Material differences

Under the Articles, the principal register and branch register of members, as the case may be, shall be open to inspection for at least two (2) hours on every business day by members of the Company without charge or by any other person, upon payment of a nominal charge.

(q) Quorum for meetings and separate class meetings

Summary

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

Material differences

The Articles contain similar provisions.

(r) Rights of the minorities in relation to fraud or oppression

Summary

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law.

Material differences

The Articles contain no provisions specifically dealing with such rights of minority shareholders.

(s) Procedures on liquidation

Summary

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

Material differences

The Articles contain substantially similar provisions to the Bye-laws.

(t) Untraceable members

Summary

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

Material differences

The Articles contain similar provisions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and is not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Open Offer (assuming the Open Offer becoming unconditional) are as follows:

Authorised:		*HK$*
3,000,000,000	Shares	30,000,000.00
Issued and fully paid:		
57,818,919	Shares in issue as at the Latest Practicable Date	578,189.19
11,560,000	Shares in issue upon completion of Placing	115,600.00
555,031,352	Offer Shares to be issued (assuming maximum number of Offer Shares are issued)	5,550,313.52
624,410,271	Share in issue upon completion of the Open Offer	6,244,102.71

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Offer Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares.

There are no arrangements under which future dividends will be waived or agreed to be waived.

The Shares in issue are listed on GEM. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than GEM and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company has the following outstanding rights which conferring rights to convert into Shares:

(a) 59,400 Share Options which confer rights on holders to subscribe for 59,400 Shares. The Share Options were granted at a nominal consideration of HK$1.00 each on 3 July 2007 to the directors and employees of the Company under the share option scheme of the Company adopted on 6 March 2002, details of the exercise price and exercise period of the Share Options are as follows:–

Grantees	**Share Options hold**	**Exercise price per Share**	**Exercise period**
RichardYen	19,800	HK$10.95 (subject to adjustment)	3 July 2007 to 5 March 2012
Duncan Chiu	19,800	HK$10.95 (subject to adjustment)	3 July 2007 to 5 March 2012
Gouw Hiap Kian	19,800	HK$10.95 (subject to adjustment)	3 July 2007 to 5 March 2012

(b) the CS Convertible Bond in the outstanding principal amount of HK$100,000,000 which confer rights on the Riche to subscribe for 200,000,000 Shares at a conversion price of HK$0.50 per conversion Share (subject to adjustment), subject to the conditions and procedures for conversion or subscription of the Convertible Bond as set out in the Company's announcements dated 8 December 2008; and

(c) the Convertible Bonds in the outstanding principal amount of:

(i) HK$7,000,000 which confer rights on the Win Win Fortune Limited and Mr. Cheung Put Kay to subscribe in an aggregate of 8,860,759 Shares at a conversion price of HK$0.79 per conversion Share (subject to adjustment), subject to the conditions and procedures for conversion or subscription of the convertible bond as set out in the Company's announcements dated 9 July 2008;

(ii) HK$60,000,000 which confer rights on the China Star Entertainment Limited, a company listed on the Stock Exchange (stock code 326) to subscribe for 120,000,000 conversion Shares at a conversion price of HK$0.50 per conversion Share (subject to adjustment), subject to the conditions and procedures for conversion or subscription of the convertible bond as set out in the Company's announcements dated 8 December 2008; and

(iii) HK$100,000,000 which confer rights on the Brilliant Arts Multi-Media Holdings Limited, a company listed on GEM (stock code 8130) to subscribe for 200,000,000 conversion Shares at a conversion price of HK$0.50 per conversion Share (subject to adjustment), subject to the conditions and procedures for conversion or subscription of the convertible bond as set out in the Company's announcements dated 8 December 2008.

Save as disclosed above, as at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right on the holder thereof to subscribe for, convert or exchange into new Shares.

3. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, none of the Directors, or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors and the chief executive of the Company, no person had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long position

Name	*Notes*	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Share	Percentage of the issued capital of the Company
Riche	*1*	Beneficial owner	11,769,194	1,045,223,418	1,056,992,642	999.99%
China Star Investment Holdings Limited	*1*	Interest of controlled corporation	11,769,194	1,045,223,418	1,056,992,642	999.99%
Brilliant Arts Multi-Media Holdings Limited	*2*	Beneficial owner	–	200,000,000	200,000,000	345.91%
China Star Entertainment Limited	*3*	Beneficial owner	–	120,000,000	120,000,000	207.54%
Kingston Securities Limited	*4*	Beneficial owner	9,695,567	472,913,000	482,608,567	77.22%
Ms. Ma Siu Fong	*4*	Interest of controlled corporation	9,695,567	472,913,000	482,608,567	77.22%
Ms. Chu Yuet Wah	*5*	Beneficial owner and Interest of controlled corporation	11,029,027	472,913,000	483,942,027	77.43%

Notes:

1. Riche is the beneficial owner of 11,769,194 Shares and is deemed to be interested in 951,069,896 Shares pursuant to the conditional sale and purchase agreement dated 26 November 2008 entered into between Riche and the Group, details of which was announced by the Company on 8 December 2008. Adding the 94,153,552 Offer Shares under the Riche Undertaking, Riche is deemed to be interested in 1,056,992,642 Shares. As Riche is wholly-owned by China Star Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange, China Star Investment Holdings Limited is deemed to be interested in such 1,056,992,642 Shares.

2. Brilliant Arts Multi-Media Holdings Limited is deemed to be interested in 200,000,000 Shares pursuant to the conditional subscription agreement dated 26 November 2008 entered into between Brilliant Arts Multi-Media Holdings Limited and the Company, details of which was announced by the Company on 8 December 2008 and which is completed on 28 April 2009.

3. China Star Entertainment Limited is deemed to be interested in 120,000,000 Shares pursuant to the conditional subscription agreement dated 26 November 2008 entered into between China Star Entertainment Limited and the Company, details of which was announced by the Company on 8 December 2008 and which is completed on 29 January 2009.

4. The Open Offer of not more than 555,506,552 Offer Shares at a price of HK$0.1 per Share on the basis of eight Shares for every one existing Shares was proposed by the Company and detailed in the Company's announcement dated 23 April 2009. Pursuant to the Underwriting Agreement, Kingston Securities Limited agreed to underwrite not more than 461,353,000 Offer Shares. Adding the 11,560,000 Placing Shares to be placed through Kingston Securities Limited in accordance with the Placing Agreement and the 9,695,567 Shares owned by Kingston Securities Limited, Kingston Securities Limited is deemed to be interested in an aggregate of 482,608,567 Shares. Ms. Chu Yuet Wah and Ms. Ma Siu Fong own 51% and 49% interest in Kingston Securities Limited respectively.

5. Ms. Chu Yuet Wah is the beneficial owner of 21,000 Shares. 1,312,460 Shares are held by Best China Limited which is wholly and beneficially owned by Ms. Chu Yuet Wah. Adding the 482,608,567 Shares that she is deemed to be interested through Kingston Securities Limited as stated in note 4 above, Ms. Chu Yuet Wah is deemed to be interested in 483,942,027 Shares.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors has entered into any existing or proposed service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of any compensation other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders, management shareholders or any of their respective associates have any interests in any business which competes or may compete with the business of the Group.

7. LITIGATION

Contingent liabilities

As at 31 March 2009, the Group had the following contingent liabilities:

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$65,749,000). 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 statements of the Company.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which the Company or any of its subsidiaries was, or might become, a party.

8. MATERIAL CONTRACTS

The following contracts were entered into by the Group (not being contracts entered into in the ordinary course of business) during the period of two years immediately preceding the date of this circular and are or may be material:

(a) the placing agreement and the subscription agreement dated 5 June 2007 entered into between the Company, the placing agent and First Vantage Limited, a substantial Shareholder, for placing of and subscription for 150,000,000 Old Shares of HK$0.01 each at the placing price of HK$0.165 per Old Share;

(b) the distribution agreement and the supplemental agreement dated 15 August 2007 and 24 August 2007 respectively entered into between the Company and CR Hong Kong Limited for granting of the exclusive rights to HK (Trading) to sell and market and distribute product, namely Cynthia Rowley, in Hong Kong in the amount of HK$450,000, HK$2,100,000 and HK$3,900,000 for three years;

(c) the acquisition agreement dated 8 November 2007 entered into between the Company, Mr. Claude Lalanne Costa and Credit Lyonnais Capital Investissement, Credit Lyonnais Developpement 2, Mr Pierre Hemar, Lion Capital Investissement, Nollius BV and Quilvest France to acquire 96.57% of the issue share capital of Financière Solola and its subsidiaries for an initial consideration of approximately HK$92,381,659;

(d) the underwriting agreement dated 4 February 2008 entered into between the Company, Chung Chiu Limited, Grand Ming Securities Limited and CIMB-GK Securities (HK) Limited in relation to the proposed issue of rights shares by the Company on the basis of four rights shares for every five Old Shares of HK$0.01 each held on 12 March 2008. Such agreement was terminated in accordance with its terms on 27 March 2008;

(e) the subscription agreement dated 18 February 2008 entered into between the Company and Chung Chiu Limited for the subscription of the convertible bonds in the principal amount of HK$40,000,000 to be issued by the Company for a term of three years with a coupon rate of 2% per annum;

(f) the subscription agreement dated 30 May 2008 entered into between the Company and Far East Holdings International Limited for the subscription of the convertible bonds in the principal amount of HK$7,000,000 to be issued by the Company for a term of three years with a coupon rate of 2% per annum;

(g) the subscription agreement dated 30 May 2008 entered into between the Company and JL Investments Capital Limited for the subscription of convertible bonds in the principal amount of HK$6,200,000 to be issued by the Company for a term of one year with a coupon rate of 2% per annum;

(h) the subscription agreement dated 9 July 2008 entered into between the Company and Goldig Properties Limited for the subscription of convertible bonds in the principal amount of HK$35,000,000 to be issued by the Company for a term of three years with zero coupon rate;

(i) the placing agreement dated 19 November 2008 entered into between the Company and the Kingston Securities Limited for the placing of 53,000,000 Old Shares, on fully underwritten basis, at an issue price of HK$0.075 per Old Share;

(j) the underwriting agreement dated 19 November 2008 entered into between Kingston Securities Limited and the Company in relation to the proposed issue of the 131,570,645 offer Old Shares by way of the open offer at an offer price of HK$0.05 per Old Share;

(k) the subscription agreement dated 26 November 2008 entered into between the Company and China Star Entertainment Limited in relation to the subscription and issue of the convertible bonds in the principal amount of HK$100 million;

(l) the subscription agreement dated 26 November 2008 entered into between the Company and Brilliant Arts Multi-Media Holdings Limited in relation to the subscription and issue of the zero coupon convertible bonds in maximum aggregate principal amount of HK$100 million;

(m) the supplemental agreement dated 27 November 2008 entered into between Kingston Securities Limited and the Company in relation to the amendments to the underwriting agreement dated 19 November 2008;

(n) the conditional sale and purchase agreement dated 26 November 2008 entered into among Mega Shell Services Limited, a wholly-owned subsidiary of the Company, the Riche (BVI) Limited, a wholly-owned subsidiary of China Star Investment Holdings Limited, and the Company in relation to the sale and purchase of the entire issued shares of Shinhan-Golden Faith International Development Limited and World East Investments Limited;

(o) the subscription agreement dated 19 January 2009 entered into between Amazing Goal International Limited, a wholly-owned subsidiary of the Company, and Chung Chiu (PTC) Ltd in relation to the subscription of the shares of Amazing Goal International Limited;

(p) the Placing Agreement; and

(q) the Underwriting Agreement.

9. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the businesses of the Group.

None of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited consolidated accounts of the Group were made up.

10. EXPERT AND CONSENT

The following are the qualifications of the expert who has given its opinions and advice which are included in this circular:

Name	Qualifications
Grand Cathay	a licensed corporation for type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulation activities under the SFO)
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants

1. As at the Latest Practicable Date, HLB Hodgson Impey Cheng and Grand Cathay did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

2. Each of HLB Hodgson Impey Cheng and Grand Cathay has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

3. As at the Latest Practicable Date, HLB Hodgson Impey Cheng and Grand Cathay did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

11. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head office and principal place of business	Unit 1611, 16/F Shun Tak Centre West Tower 168-200 Connaught Road Central Hong Kong
Authorised representatives	Lai Hok Lim Unit 1611, 16/F Shun Tak Centre West Tower 168-200 Connaught Road Central Hong Kong Lee Chan Wah Unit 1611, 16/F Shun Tak Centre West Tower 168-200 Connaught Road Central Hong Kong
Compliance officer	Lai Hok Lim Unit 1611, 16/F Shun Tak Centre West Tower 168-200 Connaught Road Central Hong Kong
Company secretary	Lee Chan Wah *HKICPA, FCCA* Unit 1611, 16/F Shun Tak Centre West Tower 168-200 Connaught Road Central Hong Kong
Auditors	Vision A.S. Limited *Certified Public Accountants* Room A, 15/F. Fortis Bank Tower 77-79 Gloucester Road Wanchai Hong Kong

Underwriter	Kingston Securities Limited 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong
Legal adviser to the Company	*As to Hong Kong Law:* Michael Li & Co. 14/F Printing House 6 Duddell Street, Central Hong Kong
Financial adviser to the Company	Nuada Limited 7th Floor, New York House 60 Connaught Road Central Hong Kong
Principal banker	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Industrial and Commercial Bank Of China (Asia) Limited 33/F., ICBC Tower 3 Garden Road Central, Hong Kong Dah Sing Bank Limited G/F., Dah Sing Financial Centre 108 Gloucester Road Hong Kong Shanghai Commercial Bank Limited 12 Queen's Road Central Hong Kong
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited 46th Floor Hopewell Centre 183 Queen's Road East Hong Kong

12. DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Lai Hok Lim

Mr. Lai, aged 49, was appointed as executive Director on 10 November 2008 and as authorised representative, chairman and a member of remuneration committee of the Company on 16 November 2008 and as chief executive officer and compliance officer of the Company on 20 April 2009 with the business address at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong. Mr. Lai is a practicing solicitor in Hong Kong since 1989. He graduated from the University of Hong Kong with a bachelor of arts degree and holds a bachelor of arts (law) degree from the University of Sussex in the United Kingdom and a bachelor of law degree from Beijing University in the PRC. Mr. Lai was an independent non-executive director of Brilliant Arts Multi-Media Holding Limited, a company listed on GEM, from July 2007 to November 2008.

Lee Chan Wah

Mr. Lee, aged 40, was appointed as executive Director and company secretary and authorised representative of the Company on 10 November 2008 with business address at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong. Mr. Lee has over 16 years experience in auditing and accounting areas. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee was an executive director of Global Solution Engineering Limited, a company listed on GEM, from December 2005 to September 2007.

Independent non-executive Directors

Yip Tai Him

Mr. Yip, aged 38, was appointed as independent non-executive Directors and members of remuneration committee and audit committee on 13 December 2008 and chairman of the audit committee of the Company on 1 January 2009 with the business address at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong. Mr. Yip has over 15 years of experience in auditing, accounting and corporate finance. He is a member of the Institute of Chartered Accountants in England and Wales, and Hong Kong Institute of Certified Public Accountants. Mr. Yip is experienced with internal controls and is well versed with the skills and techniques in preparing, auditing, reviewing and analysing comparable and complicated financial statements. Mr. Yip is currently: (i) an independent non-executive director of Wing Lee Holdings Limited (stock code: 876), a company which is listed on the Main Board of the Stock Exchange, since February 2001; (ii) an independent non-executive director of China Cyber Port (International) Company Limited (stock code: 8206), a company which is listed on GEM, since October 2002; (iii) an independent non-executive director of UURG Corporation Limited (stock code: 8192), a company which is listed on GEM, since March 2008; and (iv) an independent non-executive director of Vinco Financial Group Limited (stock code: 8340), a company which is listed on GEM, since May 2008. Mr. Yip was: (i) an executive director of Brilliant Arts Multi-Media Holding Limited (stock code: 8130), a company which is listed on GEM, from July 2007 to August 2008; and (ii) an independent non-executive director of Aurum Pacific (China) Group Limited (stock code: 8148), a company which is listed on GEM, from March 2007 to July 2008.

Law Yiu Sang, Jacky

Mr. Law, aged 44, was appointed as an independent non-executive Director and member of audit committee and remuneration committee of the Company on 13 December 2008 with the business address at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong. Mr. Law 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

Ms. Chio, aged 39, was appointed as an independent non-executive Director and member of audit committee and remuneration committee of the Company on 1 January 2009 with the business address at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong. Mr. Chio holds a bachelor of arts degree from York University in Canada. She has worked with a reputable hotel chain in Macau for a number of years and acquired extensive hotel management experience in the area of sales, finance and business support. She is now the general manager of a hotel in Macau.

Senior management

Head – corporate planning and administration

Gouw Kar Yiu, Carl

Mr. Gouw, aged 30, has been the Group's Head of Corporate Planning & Administration since 2007 and has been a director of Golife (Hong Kong) Limited, a wholly-owned subsidiary of the Group, since 2002. Mr Gouw is responsible for the overall strategic planning of the Group, including finance, corporate finance as well as corporate communications. Previously, Mr Gouw served as chairman and chief executive officer of an investment corporation listed on the Main Board of the Stock Exchange. He holds a bachelor of science degree in management sciences from the London School of Economics and Political Science. He is also a director of the Young Entrepreneurs' Organization — Hong Kong Chapter Limited and a director of Hong Kong Ambassadors of Design Limited.

13. AUDIT COMMITTEE

The Company established an audit committee, comprising of all independent non-executive Directors, namely Mr. Yip Tai Him, Mr. Law Yiu Sang, Jack and Ms. Chio Chong Meng, with written terms of reference in compliance with the GEM Listing Rules. Rule 5.28 of the GEM Rules requires that the audit committee must comprise a minimum of three members with a majority of independent non-executive Directors and at least one member must have appropriate professional qualifications or accounting or related financial management expertise. The main duties of the audit committee include the followings:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors before submission to the board;

(b) to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The audit committee held four meetings during the year ended 31 December 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.

Details of the member of audit committee of the Company, please refer to sub-section headed "Directors and senior management" above.

14. EXPENSES

The expenses in connected with the Open Offer, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK$0.93 million to approximately HK$1.11 million and will be payable by the Company.

15. GENERAL

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM.

(a) the memorandum of association of the Company and the bye-laws;

(b) the annual reports of the Company for the two years ended 31 December 2008;

(c) the unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group, the text of which is set out in appendix II to this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on page 26 of this circular;

(e) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 27 to 38 of this circular;

(f) the letter from HLB Hodgson Impey Cheng on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in appendix III to this circular;

(g) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(h) the written consent referred to in the paragraph headed "Expert and consent" in this appendix;

(i) a copy of each of the circulars issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 December 2008, the date of the latest published audited consolidated financial statements of the Group were made up; and

(j) this circular.

Golife Concepts Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8172)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Golife Concepts Holdings Limited (the "**Company**") will be held at Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 8 June 2009 at 4:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT** conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, the Offer Shares (as defined below); (ii) the due registration of the prospectus in relation to the Open Offer (as defined below) in accordance with laws of Hong Kong and Bermuda; and (iii) the Underwriting Agreement (as defined below) becoming unconditional:

(a) the Open Offer (as defined below) and the transactions contemplated thereunder be and are hereby approved;

For the purpose of this resolution, "**Open Offer**" means the proposed issue by way of open offer of not less than 462,551,352 offer shares (the "**Offer Shares**") of the Company and not more than 555,506,552 Offer Shares at a subscription price of HK$0.10 per Offer Share to the qualifying shareholders (the "**Qualifying Shareholders**") of the Company whose names appear on the register of members on the date by reference to which entitlement under the Open Offer will be determined (other than those shareholders (the "**Excluded Shareholders**") with addresses on the register of members of the Company which are outside Hong Kong whom the Directors, after making relevant enquiries, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of eight (8) Offer Shares for every one share (the "**Share**") of the Company then held, subject to the fulfillment of the conditions set out in the underwriting agreement (the "**Underwriting Agreement**" including all supplemental agreements relating thereto) (a copy of which has been produced to this Meeting marked "A" and signed by the chairman of this Meeting for the purpose of identification) dated 23 April 2009 and entered into between the Company, and Kingston Securities Limited as underwriter (the "**Underwriter**");

(b) any Director be and is hereby authorised to allot and issue the Offer Shares pursuant to and in connection with the Open Offer notwithstanding that (i) the Offer Shares may be offered, allotted or issued otherwise than pro rata to the Existing Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Excluded Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) excess Offer Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Excluded Shareholders (as the case may be) will be made available for subscription under forms of application for excess Offer Shares;

(c) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up the underwritten Offer Shares, if any, by the Underwriter) be and are hereby approved;

(d) the arrangements for application for Offer Shares by the Qualifying Shareholders in excess of their entitlements under the Open Offer be and are hereby approved, confirmed and ratified; and

(e) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder."

By Order of the Board
Golife Concepts Holdings Limited
Lee Chan Wah
Executive Director

Hong Kong, 14 May 2009

Registered office:
Clarendon House,
2 Church Street,
Hamilton HM11,
Bermuda

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

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy can vote on a poll. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the offices of the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.