THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Star Investment Holdings Limited (the "**Company**"), you should at once hand this circular and 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 for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

中国星

CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

(1) VERY SUBSTANTIAL DISPOSAL;

(2) VERY SUBSTANTIAL ACQUISITION INVOLVING SUBSCRIPTION OF CONSIDERATION SHARES;

(3) VERY SUBSTANTIAL ACQUISITION INVOLVING SUBSCRIPTION OF CONVERTIBLE BOND;

(4) MAJOR TRANSACTION INVOLVING PROVISION OF GUARANTEE;

(5) MAJOR TRANSACTION INVOLVING ADVANCE TO AN ENTITY;

(6) POTENTIAL VERY SUBSTANTIAL ACQUISITION INVOLVING SUBSCRIPTION OF SETTLEMENT CONVERTIBLE BOND;

AND

(7) NOTICE OF SPECIAL GENERAL MEETING

A notice convening a special general meeting (the "**SGM**") of the Company to be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on 12 February 2009 at 4:30 p.m. is set out on pages 392 to 393 of this circular.

Whether or not you are able to attend the SGM, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 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 or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting in person if you so wish.

23 January 2009

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"Announcement"	the announcement of the Company dated 10 December 2008 in respect of, among others, the Disposal and the transactions contemplated thereunder
"associate"	has the meaning ascribed to this term under the Listing Rules
"Beijing Jianguo (BVI)"	Beijing Jianguo Real Estate Development Co., Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Shinhan-Golden
"Board"	the board of Directors
"Business Day"	any 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
"Chen"	Ms. Chen Peng (陳萍), a PRC citizen and owner of 51% registered capital of the CJV Partner
"Chen Undertaking"	an undertaking dated 3 July 2003 as supplemented by a supplemental undertaking dated 7 November 2003 by Chen in relation to the transfer of 51% of the registered capital in the CJV Partner
"CJV Partner"	上海昇平文化發展有限公司, a company established and existing under the laws of the PRC
"CJV Partner's Corporate Guarantee"	the guarantee to be given by Golife in favour of Riche in respect of the CJV Partner's Loan
"CJV Partner's Loan"	the total obligations, liabilities and debts owing or incurred by the CJV Partner to Riche in the sum of HK$374,677,812 as at the date of the Sale and Purchase Agreement

"Code"	The Hong Kong Code on Takeovers and Mergers
"Company"	China Star Investment Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Disposal
"connected person(s)"	has the meaning ascribed to this term under the Listing Rules
"Consideration"	the consideration of HK$211,466,310 payable by the Purchaser to Riche for the Disposal and to be satisfied in the manner as described in this circular
"Consideration Shares"	117,691,940 Golife Shares to be allotted and issued to Riche at an issue price of HK$0.05 per Golife Share by Golife for the purpose of settling part of the Consideration
"Conversion Price"	the conversion price at which the Convertible Bond is to be converted into the Conversion Shares
"Conversion Shares"	the new Golife Shares to be allotted and issued to the holder of the Convertible Bond upon conversion of the same
"Convertible Bond"	the ten year zero coupon convertible bond with a face value of HK$100,000,000 to be issued by Golife for the purpose of settling part of the Consideration
"Directors"	the directors of the Company
"Disposal"	the disposal of the Sale Shares and Sale Loans in accordance with the Sale and Purchase Agreement
"Disposed Group"	collectively, Shinhan-Golden, World East, the JV Company and Beijing Jianguo (BVI)

"Fund Raising Exercise"	a fund raising exercise conducted by Golife raising a net proceeds of not less than HK$9,500,000 by way of (i) an open offer to holders of issued Golife Shares for subscription of up to a maximum of 279,681,928 new Golife Shares on the basis of every five issued Golife Shares for two new Golife Shares at subscription price of HK$0.05 per new Golife Share; (ii) a placing of 53,000,000 new Golife Shares at a placing price of HK$0.075 per new Golife Share pursuant to the general mandate granted to the directors of Golife; and (iii) such other fund raising activities as Riche may approve in writing
"GC Group"	Golife and its subsidiaries
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Committee"	the Listing Committee of the Stock Exchange responsible for GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Golife"	Golife Concepts Holdings Limited, a company incorporated in the Cayman Islands and the issued ordinary shares of which are listed on GEM
"Golife Existing Convertible Bonds"	collectively (i) the convertible bonds of HK$3,200,000 conferring rights to convert a total of 36,363,636 Golife Shares on basis of an adjusted conversion price of HK$0.088 per Golife Share (subject to adjustment); (ii) the convertible bonds in an aggregate principal amount of HK$35,000,000 conferring rights to convert a total of 301,724,137 Golife Shares on basis of an adjusted conversion price of HK$0.116 per Golife Share (subject to adjustment); and (iii) the convertible bond of HK$7,000,000 conferring rights to convert a total 60,344,827 Golife Shares on the basis of an adjusted conversion price of HK$0.116 per Golife Share (subject to adjustment)
"Golife Existing Share Options"	the 594,000 outstanding share options granted under the share option scheme of Golife adopted on 6 March 2002

"Golife Shares"	the ordinary shares of par value of HK$0.05 each in the share capital of Golife
"Group"	the Company and its subsidiaries
"Hang Seng Guarantee"	the guarantee dated 11 September 2006 executed by the Company in favour of Hang Seng Bank Limited, Fuzhou Branch
"Hang Seng Loan"	the loan facility for a total principal amount of RMB350,000,000 advanced by Hang Seng Bank Limited, Fuzhou Branch to the JV Company pursuant to a loan agreement dated 11 September 2006 entered into between the JV Company and Hang Seng Bank Limited, Fuzhou Branch
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"JV Company"	北京莎瑪房地產開發有限公司, (formerly known as 北京建國房地產開發有限公司), a company organised and existing under the laws of the PRC which is owned as to 96.7% by Shinhan-Golden and as to 3.3% by the CJV Partner
"Last Trading Day"	18 November 2008, being the date immediately prior to the date of the suspension of trading in the Golife Shares pending the release of an announcement issued by Golife in respect of, among others, the Disposal
"Latest Practicable Date"	21 January 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Liao"	Mr. Liao Miao-yuan (賴淼源), a PRC citizen and owner of 49% registered capital of the CJV Partner
"Liao Undertaking"	an undertaking dated 3 July 2003 as supplemented by a supplemental undertaking dated 7 November 2003 by Liao in relation to the transfer of 49% of the registered capital in the CJV Partner

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Promissory Note"	the promissory note to be issued by Golife for a principal sum of HK$100,000,000 for the purpose of settling part of the Consideration
"Property"	the property, excluding the 17 apartment units and the 13 carparking space located at Inner Jiangguo Gate of Dongcheng District, Beijing, the PRC (currently known as No. 9 Gongyaun Xijie, Dongcheng District, Beijing, the PRC)
"Purchaser"	Mega Shell Services Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Golife
"Remaining Group"	the Group immediately upon Completion, including its equity interest in Golife after completion of the subscription of the Consideration Shares and the Convertible Bond
"Riche"	Riche (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 26 November 2008 entered into between the Purchaser, Riche and Golife in relation to the sale and purchase of the Sale Shares and the Sales Loans
"Sale Loans"	collectively, the Shinhan-Golden Sale Loan and the WE Sale Loan

"Sale Shares"	collectively, the Shinhan-Golden Sale Shares and the WE Sale Share
"Settlement CB Conversion Price"	the conversion price at which the Settlement Convertible Bond is to be converted into the Settlement CB Conversion Shares
"Settlement CB Conversion Shares"	the new Golife Shares which shall be allotted and issued to the holder of the Settlement Convertible Bond upon conversion of the same
"Settlement Convertible Bond"	the ten years 3% coupon convertible bond with a face value of such sum as equivalent to the then outstanding CJV Partner's Loan to be issued by Golife for the purpose of settlement of the CJV Partner's Loan
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	a special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, to approving the Sale and Purchase Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shinhan-Golden"	Shinhan-Golden Faith International Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Riche
"Shinhan-Golden Group"	collectively Shinhan-Golden, the JV Company and Beijing Jianguo (BVI)
"Shinhan-Golden Sale Loan"	all obligations, liabilities and debts owing or incurred by Shinhan-Golden to Riche on or at any time prior to Completion

"Shinhan-Golden Sale Shares"	9,500,000 issued shares of par value of US$1.00 in the share capital of Shinhan-Golden, representing the entire issued share capital of Shinhan-Golden
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"WE Sale Loan"	all obligations, liabilities and debts owing or incurred by World East to Riche on or at any time prior to Completion
"WE Sale Share"	one issued share of par value of US$1.00 in the share capital of World East, representing the entire issued share capital of World East
"World East"	World East Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Riche
"World East Group"	collectively World East and the CJV Partner
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximate exchange rate of RMB1.00 to HK$1.1368. This exchange rate is adopted for the purpose of illustration only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate at all.

中国星

CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

Executive Directors:
Mr. Heung Wah Keung *(Chairman)*
Ms. Chen Ming Yin, Tiffany

Independent non-executive Directors:
Mr. Tang Chak Lam, Gilbert
Mr. Ho Wai Chi, Paul
Mr. Lien Wai Hung

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

Head office and principal place of business in Hong Kong:
Unit 3408, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

23 January 2009

To the Shareholders

Dear Sirs or Madams,

(1) VERY SUBSTANTIAL DISPOSAL;

(2) VERY SUBSTANTIAL ACQUISITION INVOLVING SUBSCRIPTION OF CONSIDERATION SHARES;

(3) VERY SUBSTANTIAL ACQUISITION INVOLVING SUBSCRIPTION OF CONVERTIBLE BOND;

(4) MAJOR TRANSACTION INVOLVING PROVISION OF GUARANTEE;

(5) MAJOR TRANSACTION INVOLVING ADVANCE TO AN ENTITY;

(6) POTENTIAL VERY SUBSTANTIAL ACQUISITION INVOLVING SUBSCRIPTION OF SETTLEMENT CONVERTIBLE BOND;

AND

(7) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 26 November 2008, Riche entered into the Sale and Purchase Agreement with the Purchaser and Golife pursuant to which the Purchaser has conditionally agreed to acquire and Riche has conditionally agreed to sell the Sale Shares and the Sale Loans for the Consideration of HK$211,466,310 subject to adjustment.

The Consideration for the Sale Shares and the Sale Loans shall be settled at Completion by the Purchaser in the following manner: (a) HK$5,581,713 (subject to adjustment) shall be payable in cash to Riche; (b) HK$5,884,597 by procuring Golife to allot and issue 117,691,940 Consideration Shares credited as fully paid to Riche; (c) HK$100,000,000 by procuring Golife to issue the Convertible Bond to Riche; and (d) HK$100,000,000 by procuring Golife to issue the Promissory Note to Riche.

The Disposal constitutes a very substantial disposal on the part of the Company under the Listing Rules. The subscription for the Consideration Shares as aforesaid constitutes a very substantial acquisition on the part of the Company under the Listing Rules. The subscription for the Convertible Bond as aforesaid constitutes a very substantial acquisition on the part of the Company under the Listing Rules. The Disposal, the subscription for the Consideration Shares and the subscription of the Convertible Bond are therefore subject to the Shareholders' approval at the SGM.

Riche has undertaken with the Purchaser in the Sale and Purchase Agreement that it shall procure the Company to maintain the Hang Seng Guarantee to remain in full force and effect in all respect until the Hang Seng Loan is discharged, repaid or settled in full absolutely. Upon Completion, the JV Company will cease to be a subsidiary of the Company. The provision of financial assistance under the Hang Seng Guarantee by the Company pursuant to the Sale and Purchase Agreement constitutes a major transaction on the part of the Company for the purpose of Chapter 14 of the Listing Rules and is therefore subject to Shareholders' approval at the SGM.

As at the date of the Sale and Purchase Agreement, the CJV Partner was indebted to Riche in an amount of HK$374,677,812, which the said indebtedness is interest free, unsecured and has no fixed term of repayment. Pursuant to the Sale and Purchase Agreement, the CJV Partner's Loan will not be settled immediately upon the Completion. Upon Completion, World East and the CJV Partner will cease to be subsidiaries of the Company. The provision of financial assistance under the CJV Partner's Loan by Riche constitutes a major transaction on the part of the Company for the purpose of Chapter 14 of the Listing Rules and is therefore subject to Shareholders' approval at the SGM.

For the purpose of settlement of the CJV Partner's Loan, the Purchaser has agreed to procure Golife to issue the Settlement Convertible Bond to Riche on the fifth anniversary of Completion for a principal sum equivalent to the then outstanding CJV Partner's Loan. The subscription of the Settlement Convertible Bond as aforesaid constitutes a potential very substantial acquisition on the part of the Company. Accordingly, this will also be subject to Shareholders' approval at the SGM.

The purpose of this circular is to provide you with further information, among other matters, regarding the Disposal, the subscription of the Consideration Shares, the subscription of the Convertible Bond, the financial assistance provided by the Company under the Hang Seng Guarantee, the financial assistance by way of the CJV Partner's Loan and the potential subscription of the Settlement Convertible Bond, together with a notice convening the SGM and a proxy form.

THE SALE AND PURCHASE AGREEMENT

Date: 26 November 2008

Parties:

(1)	Vendor	:	Riche
(2)	Purchaser	:	Mega Shell Services Limited
(3)	Guarantor	:	Golife

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser, Golife and their ultimate beneficial owners are third parties independent of and not connected with the Company and any of its connected persons as defined under the Listing Rules.

The Purchaser is an investment holding company and a wholly-owned subsidiary of Golife.

Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and Riche has conditionally agreed to sell the Sale Shares and the Sale Loans, which amount to HK$46,678,498 as at 31 October 2008.

The Sale Shares comprise the entire issued share capital of Shinhan-Golden and World East. Shinhan-Golden is an investment holding vehicle which holds 96.7% of the registered capital of the JV Company. Shinhan-Golden also owns the entire issued share capital of Beijing Jianguo (BVI), which is a dormant company with no business operation. Except the aforesaid, Shinhan-Golden has no other business.

The remaining 3.3% registered capital of the JV Company is held by the CJV Partner. The CJV Partner is owned as to 49% by Liao and 51% by Chen. Each of Chen and Liao has by an undertaking dated 3 July 2003 as supplemented by a supplemental undertaking dated 7 November 2003 undertaken to World East to transfer their respective interests in the registered capital of the CJV Partner to World East at a price with reference to valuation of such respective registered capital when the laws in the PRC allow foreign investor to own more than 51% in the registered capital of the CJV Partner. As at the Latest Practicable

Date, Chen and Liao have not transferred their interests in the CJV Partner to World East. Other than holding the Chen Undertaking and the Liao Undertaking, World East has no other business. The CJV Partner is principally engaged in distribution of movies in the PRC.

The JV Company is the registered and beneficial owner of the Property located in Inner Jiangguo Gate of Dongcheng District, Beijing, the PRC with the land use right certificate number Jing Shi Dong She Wai Guo You (2001 Chu) Zi Di no. 10136. The Property has been transformed into a high-end serviced apartment for rental purpose and presents 208 sophisticated residences with one to three bedroom layouts and duplex suites, a vast clubhouse with sports, recreation and children's facilities and a large private garden. The Property has commenced operation in the late June 2008 and is managed by SHAMA, one of the leading providers of boutique serviced apartments in the Hong Kong real estate market and a third party independent of and not connected with the Company and any of its connected persons as defined under the Listing Rules.

Consideration

The Consideration, subject to adjustment, for the Sale Shares and the Sale Loans shall be satisfied at Completion by the Purchaser in the following manner:

(a) HK$5,581,713 (subject to adjustments) to be paid in cash by the Purchaser to Riche;

(b) HK$5,884,597 by procuring Golife to allot and issue 117,691,940 Consideration Shares credited as fully paid;

(c) HK$100,000,000 by procuring Golife to issue the Convertible Bond; and

(d) HK$100,000,000 by procuring Golife to issue the Promissory Note.

The Consideration was agreed between Riche and the Purchaser after arm's length negotiations with reference to (i) a preliminary valuation conducted by an independent valuer on a direct comparison approach basis valuing the Property at approximately RMB800,000,000 (approximately HK$909,440,000) as at 31 October 2008; (ii) the outstanding balance of the Hang Seng Loan of RMB281,288,388 (approximately HK$319,769,000) as at 31 October 2008; and (iii) the outstanding balance of the CJV Partner's Loan of HK$374,677,812 as at the date of the Sale and Purchase Agreement. The valuation report of the Property issued by Grant Sherman Appraisal Limited valuing the Property at approximately RMB800,000,000 (approximately HK$909,440,000) as at 30 November 2008 is set out in Appendix VII to this circular. As fair value approach and net book value approach are employed in determining the Consideration, the Directors (including independent non-executive Directors) consider that the Consideration is fair and reasonable.

In the event that the total outstanding balances of the Sale Loans as at the date of the Completion exceeds HK$46,678,498, the cash payable by the Purchaser to Riche shall be increased by the corresponding difference. In the event that the total outstanding balances of the Sale Loans as at the date of the Completion is less than HK$46,678,498, the cash payable by the Purchaser to Riche shall be reduced by the corresponding difference.

Conditions precedent

Completion shall be conditional upon and subject to:

(a) the Purchaser being satisfied in its absolute discretion with the results of the due diligence review of the assets, liabilities, operations and affairs of the Shinhan-Golden and its subsidiaries, World East and the CJV Partner as the Purchaser may reasonably consider appropriate;

(b) the passing by the Shareholders eligible to vote and not required to be abstained from voting under the Listing Rules at the SGM of ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder and the financial assistance provided by the Company to the JV Company under the Hang Seng Guarantee;

(c) the passing by the shareholders of Golife eligible to vote and not required to be abstained from voting under the GEM Listing Rules at an extraordinary general meeting of Golife to be convened and held of ordinary resolutions to approve:

   (i) the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares, the issue of the Convertible Bond, the allotment and issue of the Conversion Shares upon conversion of the Convertible Bond, the issue of the Settlement Convertible Bond, the allotment and issue of the Settlement CB Conversion Shares and the issue of the Promissory Note);

   (ii) if necessary, the increase of authorised share capital of Golife to such amount as shall allow Golife to allot and issue the Consideration Shares, the Conversion Shares and the Settlement CB Conversion Shares; and

   (iii) the CJV Partner's Corporate Guarantee and the transaction contemplated thereunder including the annual caps thereof;

(d) the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares, the Conversion Shares and the Settlement CB Conversion Shares;

(e) the obtaining of a valuation report (in the form and substance satisfactory to the Purchaser) from a valuer appointed by the Purchaser showing the value of the Property to be not less than RMB800,000,000;

(f) completion of the Fund Raising Exercise by Golife;

(g) the obtaining of a legal opinion issued by PRC lawyers instructed by the Purchaser in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the title to the Property, the Chen Undertaking and the Liao Undertaking);

(h) the obtaining of all such necessary consent, release and discharge of Hang Seng Bank Limited, Fuzhou Branch in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder subject to such conditions as required by Hang Seng Bank Limited, Fuzhou Branch as neither Riche nor the Purchaser may reasonably object;

(i) if necessary, the relevant government or monetary authority granting consent to the allotment and issue of the Consideration Shares, the Conversion Shares and the Settlement CB Conversion Shares; and

(j) with prejudice to (h) and (i) above, all such necessary approvals, consents or waiver from relevant governmental, regulatory or other relevant bodies in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

All of the conditions, except the condition (a) above which the Purchaser may waive, are not waivable under the Sale and Purchase Agreement. If the conditions have not been satisfied and/or waived on or before 31 May 2009, or such later date as Riche and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, conditions (e) and (f) above have been fulfilled.

Completion

Completion shall take place at 4:00 p.m. on the date falling three Business Days after the fulfilment (or waiver) of the conditions or such later date as may be agreed between Riche and the Purchaser.

The Purchaser has agreed and undertaken to Riche that within one month after the date of the Completion the Purchaser shall procure Golife to appoint such person as nominated by Riche from time to time as an executive director of Golife. This is a nomination right of director given to Riche. However, the appointment of new director will be a matter for consideration and decision of the board of directors of Golife. In considering any new director (including the person nominated by Riche), the board of directors of Golife will take into account the skills, qualification, working experience, professional knowledge, leadership and personal integrity of the candidates. These factors will also apply in relation to the appointment of the executive director nominated by Riche.

Guarantee

Under the Sale and Purchase Agreement, Golife has guaranteed to Riche the due and punctual performance of the Purchaser of its obligations under the Sale and Purchase Agreement.

Information on the GC Group

The GC Group is principally engaged in distribution of high-end apparel and accessories.

According to the unaudited consolidated financial statements of the GC Group for the six months ended 30 June 2008, which were prepared in accordance with the Hong Kong Financial Reporting Standards, the unaudited consolidated net liabilities of the GC Group as at 30 June 2008 was HK$12,232,000. The unaudited consolidated loss before and after taxation for the six months ended 30 June 2008 were HK$25,126,000 and HK$25,138,000 respectively.

According to audited consolidated financial statements of the GC Group for the nine months ended 31 December 2006 and the year ended 31 December 2007, the audited consolidated net assets of the GC Group as at 31 December 2006 and 2007 were HK$31,548,000 and HK$11,753,000 respectively. The audited consolidated profit before and after taxation for the nine months ended 31 December 2006 were HK$1,824,000 and HK$1,148,000 respectively. The audited consolidated loss before and after taxation for the year ended 31 December 2007 were both HK$92,240,000.

Terms of the Consideration Shares

The 117,691,940 Consideration Shares will be allotted and issued at an issue price of HK$0.05 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Golife Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue. Application for the listing of and permission to deal in the Consideration Shares will be made to the GEM Listing Committee of the Stock Exchange by Golife.

The Consideration Shares represent (i) approximately 42.65% of the issued share capital of Golife as at the date of the Announcement; (ii) approximately 25.56% of the issued share capital of Golife as at the Latest Practicable Date; and (iii) approximately 20.36% of the issued share capital of Golife as at the Latest Practicable Date as enlarged by the Consideration Shares.

The issue price of HK$0.05 per Consideration Share represents (i) a discount of approximately 18.03% to the closing price of HK$0.061 per Golife Share as quoted on GEM on the Last Trading Day; (ii) a discount of approximately 43.82% to the average of the closing prices of approximately HK$0.089 per Golife Share as quoted on GEM for the last five trading days up to and including the Last Trading Day; (iii) a discount of approximately 53.23% to the average of the closing prices of HK$0.1069 per Golife Share as quoted on GEM for the last ten trading days up to and including the Last Trading Day; and (iv) a premium of approximately 56.25% over the closing price of HK$0.032 per Golife Share as quoted on GEM as at the Latest Practicable Date.

Terms of the Convertible Bond

The terms of the Convertible Bond have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer:	Golife
Principal Amount:	HK$100,000,000
Maturity:	A fixed term of ten years from the date of issue the Convertible Bond. Unless previously redeemed, converted or cancelled, Golife shall redeem the outstanding principal amount of the Convertible Bond on the maturity date.
Interest:	The Convertible Bond bears no interest.
Redemption:	Golife may at any time upon the date of issue and before the maturity date of the Convertible Bond, by serving at least seven days' prior written notice on the bondholder(s) with the total amount proposed to be redeemed from the bondholder(s) specified therein, redeem the Convertible Bond at par.

Conversion Price: The Conversion Price is initially HK$0.05 per Conversion Share (subject to adjustment). The adjustments are subject to review by Golife's auditors. The adjustments for the Conversion Price include the followings:

(i) an alteration of the nominal amount of each Golife Share by reason of any consolidation or subdivision;

(ii) an issue (other than in lieu of a cash dividend) by Golife of Golife Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a capital distribution being made by Golife, whether on a reduction or otherwise, to Golife shareholders (in their capacity as such) or a grant by Golife shareholders (in their capacity as such) or rights to acquire for cash assets of Golife or any of its subsidiaries;

(iv) an offer of new Golife Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Golife Shares being made by Golife to its shareholders (in their capacity as such);

(v) an issue wholly for cash being made by Golife of securities convertible into or exchangeable for or carrying rights of subscription for new Golife Shares and the total effective consideration per Golife Share receivable for such securities is less than 90% of the market price on the date of announcement of the terms of the issue of such securities;

(vi) an issue of Golife Shares wholly for cash at a price per Golife Share which is less than 90% of the market price on the date of announcement of the terms of such issue; and

(vii) an issue of Golife Shares for acquisition of assets at a total effective consideration per Golife Share which is less than 90% of the market price on the date of the announcement of the terms of such issue.

	The Conversion Price represents (i) a discount of approximately 18.03% to the closing price of HK$0.061 per Golife Share as quoted on GEM on the Last Trading Day; (ii) a discount of approximately 43.82% to the average of the closing prices of HK$0.089 per Golife Share as quoted on GEM for the last five trading days upon to and including the Last Trading Day; (iii) a discount of approximately 53.23% to the average of the closing prices of HK$0.1069 per Golife Share as quoted on GEM for the last ten trading days upon to and including the Last Trading Day; and (iv) a premium of approximately 56.25% over the closing price of HK$0.032 per Golife Share as quoted on GEM as at the Latest Practicable Date.
Conversion Shares:	Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bond at the Conversion Price by the bondholders, Golife will allot and issue an aggregate of 2,000,000,000 new Golife Shares, which is the maximum number of Golife Shares to be issued, representing approximately 434.31% of the issued share capital of Golife as at the Latest Practicable Date. The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at an extraordinary general meeting of Golife.
Conversion:	The bondholder(s) may at any time during the conversion period convert the whole or part (in multiples of HK$1,000,000) of the principal amount of the Convertible Bond into the Conversion Shares at the Conversion Price. Provided that any conversion of the Convertible Bond (i) does not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) and their respective concerted parties which exercised the conversion right; and (ii) will not cause the public float of Golife unable to meet the requirement under the GEM Listing Rules, the bondholder(s) shall have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bond into the Conversion Shares.
Transferability:	The bondholder(s) may only assign or transfer the Convertible Bond to the transferee subject to the consent of Golife.

	Golife has undertaken to the Stock Exchange that it will promptly notify the Stock Exchange upon becoming aware of any dealings in the Convertible Bond by any connected person of Golife.
Ranking:	The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Golife Shares in issue on the date of the allotment and issue of the Conversion Shares.
Status:	The Convertible Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of Golife and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of Golife.
Voting Rights:	The Convertible Bond does not confer any voting rights at any meetings of Golife.
Application for listing:	No application will be made by Golife for listing of the Convertible Bond. Application will be made by Golife to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Terms of the Promissory Note

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Parties:	Golife as issuer and Riche as payee
Principal Amount:	HK$100,000,000
Maturity:	A fixed term of five years from the date of issue of the Promissory Note.
	If Golife defaults in repayment on the maturity date of any part of the principal sum, Golife shall pay interest on such overdue sum from the maturity date until payment in full (before and after judgment) at the rate of 10% per annum.

Interest:	The Promissory Note bears no interest.
Early repayment:	Provided that Golife has given to Riche not less than ten Business Days' prior notice in writing of its intention to repay any part of the outstanding principal amount of the Promissory Note, Golife may at any time from the date of the issue of the Promissory Note up to the date immediately prior to the maturity date, repay the entire Promissory Note or any part of it (in amounts of not less than HK$1,000,000) by payment to Riche of the outstanding principal amount of the Promissory Note save that if at that time, the outstanding principal amount of the Promissory Note is less than HK$1,000,000, the whole (but not part only) of the Promissory Note may be repaid.
Assignment:	The Promissory Note may, subject to the ten Business Days' prior written notice to Golife, be transferred or assigned by Riche to any person. Golife will issue an announcement and inform the Stock Exchange if the Promissory Note is transferred or assigned to the connected persons of Golife.

Financial information on the Shinhan-Golden Group and the World East Group

According to Appendix II to this circular, the net assets values of the Shinhan-Golden Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 were HK$144,537,000, HK$128,106,000, HK$254,425,000 and HK$205,219,000 respectively. The profit before and after taxation for the year ended 31 December 2005 were HK$46,034,000 and HK$29,240,000 respectively. The loss before and after taxation for the year ended 31 December 2006 were HK$17,923,000 and HK$18,118,000 respectively. The profit before and after taxation for the year ended 31 December 2007 were HK$121,621,000 and HK$108,465,000 respectively. The loss before and after taxation for the nine months ended 30 September 2008 were HK$86,986,000 and HK$66,960,000 respectively.

According to Appendix III to this circular, the net liabilities values of the World East Group as at 31 December 2005 and 2006 were HK$10,705,000 and HK$9,925,000 respectively. The net assets values of the World East Group as at 31 December 2007 and 30 September 2008 were HK$1,562,000 and HK$19,949,000 respectively. The loss before and after taxation for the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008 were both HK$11,979,000, HK$322,000, HK$194,000 and HK$1,110,000 respectively.

Financial effect of the Disposal

Gain on the Disposal

As set out in Appendix IV to this circular, assuming the Disposal had been taken place on 1 January 2007, the Group would have recorded a gain on disposal of HK$21,719,000.

Net assets

The audited consolidated net assets value of the Group as at 30 September 2008 was HK$911,126,000.

As set out in Appendix IV to this circular, assuming the Disposal had been taken place on 30 September 2008, the unaudited pro forma consolidated net assets value of the Remaining Group as at 30 September 2008 would have been HK$816,443,000.

Gearing ratio

As at 30 September 2008, the total borrowings of the Group were HK$423,624,000 and the Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 46%.

As set out in Appendix IV to this circular, assuming the Disposal had been taken place on 30 September 2008, the unaudited pro forma total borrowings of the Remaining Group would have decreased to HK$103,345,000. The gearing ratio of the Remaining Group would have been 13%.

Prior to the Disposal, Shinhan-Golden, the JV Company, World East, the CJV Partner and Beijing Jianguo (BVI) are treated as subsidiaries of the Company and their results are consolidated into that of the Company. Following the Completion, Shinhan-Golden, the JV Company, World East, the CJV Partner and Beijing Jianguo (BVI) will cease to be subsidiaries of the Company.

As at the Latest Practicable Date, Golife had 460,497,258 Golife Shares in issue. On the basis of this figure and assuming no Golife Shares are issued and repurchased by Golife prior to the Completion, the Company will hold 20.36% of the issued share capital of Golife following the Completion. Golife will be treated as an associate of the Company. The Group's interest in Golife will be accounted for in its consolidated balance sheet by reference to the Group's share of net assets under the equity method of accounting less any impairment losses. The results of Golife will be equity accounted for in the Group's consolidated financial statements.

Reasons for the Disposal and use of proceeds

In view of the recent global financial crisis and the credit crunch led by the collapse of Lehman Brothers in September 2008, the Directors forecast a tough 2009 and a persist downturn in the global economy over a long period of time. As such, the Directors consider that the Disposal provides an opportunity to the Group to (i) restructure its business, (ii) enable the Group to concentrate its resources on the provision of management services business, and (iii) improve the Group's gearing ratio. Based on the above, the Directors are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

The Group intends to use the cash proceeds from the Disposal as general working capital for the Group.

Financial and trading prospects of the Remaining Group

For the year ended 31 December 2007, the Group recorded a profit attributable to the equity holders of the Company of HK$25,694,000. The net assets value of the Group was HK$1,049,976,000 as at 31 December 2007. For the nine months ended 30 September 2008, the Group recorded a loss attributable to the equity holders of the Company of HK$209,985,000. The net assets value of the Group was HK$911,126,000 as at 30 September 2008.

The significant loss incurred for the nine months ended 30 September 2008 was attributable to the recognition of a decrease in fair value of the Property of HK$66,751,000 and the impairment loss in respect of goodwill of HK$142,347,000, which had been mentioned in the Company's announcement date 11 December 2008 in relation to a profit warning.

During the nine months ended 30 September 2008, the Hong Kong films market remained sluggish and the demand for Hong Kong-made movies in the PRC remained weak. The number of films produced by local producers has been decreased. As a result, the Group was not able to secure a sufficient number of quality films at reasonable prices for distribution. The Directors are not optimistic about the Hong Kong films market in the near future as the Hong Kong-made movies are less appealing to the Mainland Chinese audience, one of the major markets for Hong Kong-made movie, than before and there is a downward trend on film investments in Hong Kong.

As the volatility in equity market remains high, the Group sold all of its financial assets in the second half of 2007 and the trading in financial assets during the nine months ended 30 September 2008 was minimal. The Group will preserve its cash on hand until the equity market is stable.

On 28 February 2008, the Group entered into a conditional sale and purchase agreement with Well Will Investment Limited and Mr. Ng Cheuk Fai relating to the proposed acquisition of a 100% of the issued share capital of Rich Daily Group Limited from Well Will Investment Limited at an initial consideration of HK$504,000,000 (subject to adjustment). Rich Daily Group Limited is a management services provider to the concierge departments of the gaming promoters. The monthly service fee earned by Rich Daily Group Limited is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoters. The proposed acquisition was approved by the Shareholders on 27 June 2008 and was completed on 29 August 2008. Following the completion of the proposed acquisition, Rich Daily Group Limited generates a constant monthly cashflow to the Group. Although Rich Daily Group Limited experienced a drop in its services fee income in September 2008, the monthly services fee income was fairly stable during the period from October 2008 to December 2008. The Directors believe that the newly expanded management service business provides the Group with a stable source of revenue and improves the Group's profitability.

On 23 December 2008, the Group terminated the proposed acquisition of a 100% interest in the issued share capital of Exceptional Gain Profits Limited and a sale loan from China Star Entertainment Limited as the proposed acquisition had been hinged on the release of the security given by China Star Entertainment Limited relating to Kingsway Hotel Limited to be replaced by security given by the Company. Both the Company and China Star Entertainment Limited had determined not to keep their shareholders and investors lingering on the status of the proposed acquisition or the proposed disposal, as the case may be, as it has been more than one year since the announcement of the proposed acquisition or the proposed disposal, as the case may be.

As the Directors expect the recent financial crisis has an adverse impact on the business community in general and the economic downturn persists for a long period of time, the Directors believe that the best strategy for the Group is to preserve its resources, improve its gearing ratio and seek any investment opportunity with an attractive price.

RECONCILIATION OF PROPERTY VALUATION ON THE PROPERTY AND ITS CARRYING VALUE

The reconciliation between the appraised value of the Property as at 30 November 2008 with its carrying value as at 30 September 2008 as reflected in the accountants' report on the Group as set out in Appendix I to this circular is as follows:

	RMB'000	*HK$'000*
The Property:		
Property valuation as at 30 November 2008 as set out in Appendix VII	800,000	909,440
Carrying value as at 30 September 2008	796,440	905,393
Increase in fair value of the Property	3,560	4,047

Note: RMB1 = HK$1.1368

VERY SUBSTANTIAL ACQUISITION INVOLVING SUBSCRIPTION OF CONSIDERATION SHARES

Pursuant to the Sale and Purchase Agreement, part of the Consideration in the amount of HK$5,884,597 will be settled by the Purchaser procuring Golife to allot and issue to Riche 117,691,940 Consideration Shares at an issue price of HK$0.05 per Consideration Share credited as fully paid at Completion. The subscription of the Consideration Shares by Riche constitutes a very substantial acquisition on the part of the Company as the applicable percentage ratios exceed 100% and is therefore subject to the approval of Shareholders at the SGM.

The Directors (including the independent non-executive Directors) consider that the subscription of the Consideration Shares is fair and reasonable and in the interest of the Company and its Shareholders as a whole based on the following grounds:

(i) the subscription of the 117,691,940 Consideration Shares as a partial settlement of the Consideration is part of the terms and conditions of the Sale and Purchase Agreement which were agreed between Riche and the Purchaser after arm's length negotiation; and

(ii) the issue price of HK$0.05 per Consideration Share represents an 18.03% discount to the closing price of HK$0.061 per Golife Share on the Last Trading Day.

VERY SUBSTANTIAL ACQUISITION INVOLVING SUBSCRIPTION OF CONVERTIBLE BOND

Pursuant to the Sale and Purchase Agreement, part of the Consideration in the amount of HK$100,000,000 will be settled by the Purchaser procuring Golife to issue the Convertible Bond to Riche. The subscription of the Convertible Bond by Riche constitutes a very substantial acquisition on the part of the Company as the applicable percentage ratios exceed 100% and is therefore subject to the approval of Shareholders at the SGM.

The Directors (including the independent non-executive Directors) consider that the subscription of the Convertible Bond is fair and reasonable and in the interest of the Company and its Shareholders as a whole on the following grounds:

(i) the subscription of the Convertible Bond as a partial settlement of the Consideration is part of the terms and conditions of the Sale and Purchase Agreement which were agreed between Riche and the Purchaser after arm's length negotiation; and

(ii) the Conversion Price of HK$0.05 per Conversion Share represents an 18.03% discount to the closing price of HK$0.061 per Golife Share on the Last Trading Day.

MAJOR TRANSACTION INVOLVING PROVISION OF FINANCIAL ASSISTANCE UNDER THE HANG SENG GUARANTEE

The Company has provided the Hang Seng Guarantee to Hang Seng Bank Limited, Fuzhou Branch in respect of the JV Company's indebtedness under the Hang Seng Loan. The Hang Seng Loan is for a term of five years commencing from 11 September 2006 with a fixed repayment schedules by nine instalments.

As at 31 October 2008, the outstanding principal due by the JV Company to Hang Seng Bank Limited, Fuzhou Branch was RMB281,288,388 (approximately HK$319,769,000) and the accrued interest thereon was RMB3,485,568 (approximately HK$3,962,000).

Riche has undertaken with the Purchaser in the Sale and Purchase Agreement that it shall procure the Company to maintain the Hang Seng Guarantee to remain in full force and effect in all respect until the Hang Seng Loan is discharged, repaid or settled in full absolutely. Upon Completion, the JV Company will cease to be a subsidiary of the Company. The provision of financial assistance under the Hang Seng Guarantee by the Company pursuant to the Sale and Purchase Agreement constitutes a major transaction on the part of the Company for the purpose of Chapter 14 of the Listing Rules and is therefore subject to Shareholders' approval at the SGM.

The Hang Seng Guarantee

Date: 11 September 2006

Parties: (1) the Company (as guarantor)

(2) Hang Seng Bank Limited, Fuzhou Branch (as lender)

The obligations guaranteed by the Company under the Hang Seng Guarantee is the aggregate of the Hang Seng Loan and the interest thereon and all other monies due from or owing by the JV Company to Hang Seng Bank Limited, Fuzhou Branch under a loan agreement dated 11 September 2006. The Hang Seng Loan carries an interest rate equivalent to 110% of the 5-year benchmark RMB lending rate, which as at the date of the Sale and Purchase Agreement was 7.722%. As at the Latest Practicable Date, the applicable interest rate was 6.534%.

As disclosed in the Group's latest interim report for the six months ended 30 June 2008, the value of unaudited total assets of the Group was HK$1,581,592,000. Since the provision of financial assistance under the Hang Seng Guarantee by the Company exceeds 8% of the Group's assets ratio, a disclosure obligation arises under Rule 13.13 of the Listing Rules. The Company will comply with Rule 13.20 of the Listing Rules whereby the Company is required to disclose details of the provision of financial assistance under the Hang Seng Guarantee to the JV Company in its interim and annual reports.

Reasons for the provision of financial assistance under the Hang Seng Guarantee

The provision of financial assistance under the Hang Seng Guarantee by the Company is part of the terms and conditions of the Sale and Purchase Agreement to facilitate the Disposal. Following the Disposal, Golife will become an associate of the Company and it is a normal business practice to provide a financial assistance to a company in which a shareholder has a substantial equity interest. The financial assistance provided under the Hang Seng Guarantee by the Company is unsecured.

Other than the Hang Seng Guarantee provided by the Company, the Hang Seng Loan is further secured by a mortgage over the Property. Based on the independent valuation as set out in Appendix VII to this circular, the fair value of the Property as at 30 November 2008 well exceeds the outstanding balance of the Hang Seng Loan together with the accrued interest thereon by 1.8 times. As such, the Hang Seng Loan is fully collateralised and the Hang Seng Guarantee only acts as a form of further security to the lender.

In view of the above, the Directors (including the independent non-executive Directors) are of the opinion that the provision of financial assistance under the Hang Seng Guarantee is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

MAJOR TRANSACTION INVOLVING ADVANCE TO AN ENTITY

Chen and Liao, the owners of the registered capital of the CJV Partner, have undertaken to World East to transfer to World East or its designated entity at a price with reference to valuation on the CJV Partner's registered capital when the laws in the PRC allow foreign investor to own more than 51% in the registered capital of the CJV Partner. As the Group has full power to govern the financial and operation policies of the CJV Partner so as to obtain benefits from the CJV Partner, the Group has regarded itself to have control over the CJV Partner and the CJV Partner's results are fully consolidated into that of the Group.

As at the date of the Sale and Purchase Agreement, the CJV Partner was indebted to Riche in an amount of HK$374,677,812, which the said indebtedness is interest free, unsecured and has no fixed term of repayment. Pursuant to the Sale and Purchase Agreement, the CJV Partner's Loan will not be settled immediately upon the Completion.

To secure the repayment of the CJV Partner's Loan, Golife will provide the CJV Partner's Corporate Guarantee to Riche upon Completion for a term of maximum of three financial years of Golife ending 31 December 2011. In addition, the Purchaser has agreed and undertaken with Riche that the Purchaser shall procure the Company to issue the Settlement Convertible Bond on the day falling on the fifth anniversary of the date of Completion to Riche if any part of the CJV Partner's Loan have not been settled. Riche has agreed that upon the issue of the Settlement Convertible Bond to Riche, all the then remaining outstanding of the CJV Partner's Loan shall be deemed to have been repaid and satisfied in full by the CJV Partner. Save the CJV Partner's Corporate Guarantee, the CJV Partner's Loan is not collateralised on other security after Completion.

Upon Completion, World East and the CJV Partner will cease to be subsidiaries of the Company. The provision of financial assistance under the CJV Partner's Loan by Riche constitutes a major transaction on the part of the Company for the purpose of Chapter 14 of the Listing Rules and is therefore subject to Shareholder's approval at the SGM.

As disclosed in the Group's latest interim report for the six months ended 30 June 2008, the value of unaudited total assets of the Group was HK$1,581,592,000. Since the financial assistance extended by the Company under the CJV Partner's Loan exceeds 8% of the Group's assets ratio, a disclosure obligation arises under Rule 13.13 of the Listing Rules. The Company will comply with Rule 13.20 of the Listing Rules whereby the Company is required to disclose details of the financial assistance to the CJV Partner in its interim and annual reports.

Terms of the Settlement Convertible Bond

The principal terms of the Settlement Convertible Bond are as follows:

Date of Issue:	the day falling the fifth anniversary of the date of Completion
Issuer:	Golife
Principal Amount:	Equivalent to outstanding amount of the CJV Partner's Loan as at the date of issue
Maturity:	A fixed term of ten years from the date of issue the Settlement Convertible Bond. Unless previously redeemed, converted or cancelled, Golife shall redeem the outstanding principal amount of the Settlement Convertible Bond on the maturity date.
Interest:	The Settlement Convertible Bond carries an interest of 3% per annum, payable quarterly in arrears.
Redemption:	Golife may at any time upon the date of issue and before the maturity date of the Settlement Convertible Bond, by serving at least seven days' prior written notice on the bondholder(s) with the total amount proposed to be redeemed from the bondholder(s) specified therein, redeem the Settlement Convertible Bond at par.
Conversion Price:	The Settlement CB Conversion Price is initially HK$0.05 per Settlement CB Conversion Share (subject to adjustment as per the adjustment mechanism set out in the instrument constituting the Settlement Convertible Bond (i) from the date of the Completion to the date immediately before the issue date of the Settlement Convertible Bond; and (ii) from the date of issue of the Settlement Convertible Bond). The adjustments are subject to review by Golife's auditors. The adjustments for the Settlement CB Conversion Price include the followings: (i) an alteration of the nominal amount of each Golife Share by reason of any consolidation or subdivision;

(ii) an issue (other than in lieu of a cash dividend) by Golife of Golife Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a capital distribution being made by Golife, whether on a reduction or otherwise, to Golife shareholders (in their capacity as such) or a grant by Golife shareholders (in their capacity as such) or rights to acquire for cash assets of Golife or any of its subsidiaries;

(iv) an offer of new Golife Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Golife Shares being made by Golife to its shareholders (in their capacity as such);

(v) an issue wholly for cash being made by Golife of securities convertible into or exchangeable for or carrying rights of subscription for new Golife Shares and the total effective consideration per Golife Share receivable for such securities is less than 90% of the market price on the date of announcement of the terms of the issue of such securities;

(vi) an issue of Golife Shares wholly for cash at a price per Golife Share which is less than 90% of the market price on the date of announcement of the terms of such issue; and

(vii) an issue of Golife Shares for acquisition of assets at a total effective consideration per Golife Share which is less than 90% of the market price on the date of the announcement of the terms of such issue.

The Settlement CB Conversion Price represents (i) a discount of approximately 18.03% to the closing price of HK$0.061 per Golife Share as quoted on GEM on the Last Trading day; (ii) a discount of approximately 43.82% to the average of the closing prices of HK$0.089 per Golife Share as quoted on GEM for the last five trading days upon to and including the Last Trading Day; (iii) a discount of approximately 53.23% to the average of the closing prices of HK$0.1069 per Golife Share as quoted on GEM for the last ten trading days upon to and including the Last Trading Day; and (iv) a premium of approximately 56.25% over the closing price of HK$0.032 per Golife Share as quoted on GEM as at the Latest Practicable Date.

Settlement CB Conversion Shares: Assuming the CJV Partner's Loan is not repaid in whole or in part prior to the issue of the Settlement Convertible Bond and for the purpose of illustration only upon the exercise in full of the conversion rights attaching to the Settlement Convertible Bond at the Settlement CB Conversion Price at HK$0.05 per Settlement CB Conversion Share by the bondholders, Golife will allot and issue an aggregate of 7,493,556,240 new Golife Shares, which is the maximum number of Golife Shares to be issued, representing approximately 1,627.27% of the issued share capital of Golife as at the Latest Practicable Date.

The Settlement CB Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at an extraordinary general meeting of Golife.

Conversion: The bondholder(s) may at any time during the conversion period convert the whole or part (in multiples of HK$1,000,000) of the principal amount of the Settlement Convertible Bond into the Settlement CB Conversion Shares at the Settlement CB Conversion Price.

	Provided that any conversion of the Settlement Convertible Bond (i) does not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) and their respective concerted parties which exercised the conversion right; and (ii) will not cause the public float of Golife unable to meet the requirement under the GEM Listing Rules, the bondholder(s) shall have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Settlement Convertible Bond into the Settlement CB Conversion Shares.
Transferability:	The bondholder(s) may only assign or transfer the Settlement Convertible Bond to the transferee subject to the consent of Golife. Golife has undertaken to the Stock Exchange that it will promptly notify the Stock Exchange upon becoming aware of any dealings in the Settlement Convertible Bond by any connected person of Golife.
Ranking:	The Settlement CB Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Golife Shares in issue on the date of the allotment and issue of the Settlement CB Conversion Shares.
Status:	The Settlement Convertible Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of Golife and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of Golife.
Voting Rights:	The Settlement Convertible Bond does not confer any voting rights at any meetings of Golife.
Application for listing:	No application will be made by Golife for listing of the Settlement Convertible Bond. Application will be made by Golife to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Settlement CB Conversion Shares.

Reasons for the advance to an entity

The provision of financial assistance under the CJV Partner's Loan by Riche is part of the terms and conditions of the Sale and Purchase Agreement to facilitate the Disposal. Following the Disposal, Golife will become an associate of the Company and it is a normal business practice to provide a financial assistance to a company in which a shareholder has a substantial equity interest.

In view of the corporate guarantee in respect of the CJV Partner's Loan given by Golife and the right to convert the then outstanding balance of the CJV Partner's Loan into the Settlement Convertible Bond after the fifth anniversary of the Completion, the Directors (including independent non executive Directors) consider that the provision of financial assistance under the CJV Partner's Loan is fair and reasonable and in the interest of the Company and Shareholders as a whole.

POTENTIAL VERY SUBSTANTIAL ACQUISITION INVOLVING SUBSCRIPTION OF THE SETTLEMENT CONVERTIBLE BOND

In the event that the CJV Partner does not repay the CJV Partner's Loan to Riche in full prior to the fifth anniversary of the Completion, the Purchaser shall procure Golife to issue to Riche the Settlement Convertible Bond for a principal sum equivalent to the then outstanding amount of the CJV Partner's Loan. Assuming the CJV Partner does not repay any of the CJV Partner's Loan, the principal sum of the Settlement Convertible Bond will be HK$374,677,812. Details of the Settlement Convertible Bond have been set out under the section headed "Terms of the Settlement Convertible Bond" above.

The subscription of the Settlement Convertible Bond by Riche on the fifth anniversary of the Completion pursuant to the Sale and Purchase Agreement constitutes a potential very substantial acquisition on the part of the Company as the applicable percentage ratios exceed 100% and is therefore subject to the approval of Shareholders at the SGM.

The Directors (including the independent non-executive Directors) consider that the subscription of the Settlement Convertible Bond is fair and reasonable and in the interest of the Company and its Shareholders as a whole on the following grounds:

(i) the subscription of the Settlement Convertible Bond is part of the terms and conditions of the Sale and Purchase Agreement which were agreed between Riche and the Purchaser after arm's length negotiation for purpose of settlement of the CJV Partner's Loan;

(ii) the Settlement CB Conversion Price of HK$0.05 per Settlement CB Conversion Share represents an 18.03% discount to the closing price of HK$0.061 per Golife Share on the Last Trading Day; and

(iii) the Settlement Convertible Bond carries an interest of 3% per annum.

SHAREHOLDING STRUCTURE OF GOLIFE

The shareholding structure of Golife (1) as at the Latest Practicable Date; (2) immediately after full conversion of the Golife Existing Convertible Bonds; (3) immediately after full conversion of the Golife Existing Convertible Bonds and the Golife Existing Share Options; (4) immediately after full conversion of the Golife Existing Convertible Bonds, the Golife Existing Share Options and the allotment and issue of the 117,691,940 Consideration Shares; (5) immediately after full conversion of the Golife Existing Convertible Bonds, the Golife Existing Share Options, the allotment and issue of the 117,691,940 Consideration Shares and the full conversion of the Convertible Bond; (6) immediately after full conversion of the Golife Existing Convertible Bonds, the Golife Existing Share Options, the allotment and issue of the 117,691,940 Consideration Shares, the full conversion of the Convertible Bond and the full conversion of the Settlement Convertible Bond; and (7) immediately after full conversion of the Golife Existing Convertible Bonds, the Golife Existing Share Options, the allotment and issue of the 117,691,940 Consideration Shares, the conversion of the Convertible Bond (to the extent that Riche's shareholding in Golife capped at approximately 29.90%) and the conversion of the Settlement Convertible Bond (to the extent that Riche's shareholding in Golife capped at approximately 29.90%) are as follows:

	As at the Latest Practicable Date		Immediately after full conversion of the Golife Existing Convertible Bonds		Immediately after full conversion of the Golife Existing Convertible Bonds and the Golife Existing Share Options		Immediately after full conversion of the Golife Existing Convertible Bonds, the Golife Existing Share Options, the allotment and issue of the 117,691,940 Consideration Shares *(Note 4)* ***(For illustration purpose only)***		Immediately after full conversion of the Golife Existing Convertible Bonds, the Golife Existing Share Options, the allotment and issue of the 117,691,940 Consideration Shares and the full conversion of the Convertible Bond *(Note 4)* ***(For illustration purpose only)***		Immediately after full conversion of the Golife Existing Convertible Bonds, the Golife Existing Share Options, the allotment and issue of the 117,691,940 Consideration Shares, the full conversion of the Convertible Bond and the full conversion of the Settlement Convertible Bond *(Note 4)* ***(For illustration purpose only)***		Immediately after full conversion of the Golife Existing Convertible Bonds, the Golife Existing Share Options, the allotment and issue of the 117,691,940 Consideration Shares, the conversion of the Convertible Bond (to the extent that Riche's shareholding in Golife capped at 29.9%) and the conversion of the Settlement Convertible Bond (to the extent that Riche's shareholding in Golife capped at 29.9%) ***(For illustration purpose only)***	
	No. of Golife Shares	*Approx. %*	*No. of Golife Shares*	*Approx. %*	*No. of Golife Shares*	*Approx. %*	*No. of Golife Shares*	*Approx. %*	*No. of Golife Shares*	*Approx. %*	*No. of Golife Shares*	*Approx. %*	*No. of Golife Shares*	*Approx. %*
Chan Mei Sau, Teresina *(Note 1)*	—	—	338,087,773	39.36	338,087,773	39.33	338,087,773	34.60	338,087,773	11.35	338,087,773	3.23	338,087,773	27.57
Win Win Fotune Limited	—	—	34,482,758	4.01	34,482,758	4.01	34,482,758	3.53	34,482,758	1.16	34,482,758	0.33	34,482,758	2.81
Cheung Pui Key	3,500,000	0.76	29,362,068	3.42	29,362,068	3.42	29,362,068	3.00	29,362,068	0.99	29,362,068	0.28	29,362,068	2.39
Riche *(Note 2)*	—	—	—	—	—	—	117,691,940	12.04	2,117,691,940	71.13	9,611,248,180	91.79	366,615,739	29.90
Chu Yuet Wah *(Note 3)*	13,334,608	2.90	13,334,608	1.55	13,334,608	1.55	13,334,608	1.37	13,334,608	0.45	13,334,608	0.13	13,334,608	1.09
Kingston Securities *(Notes 4)*	96,955,673	21.05	96,955,673	11.29	96,955,673	11.28	96,955,673	9.92	96,955,673	3.26	96,955,673	0.93	96,955,673	7.91
Public: Other shareholders	346,706,977	75.29	346,706,977	40.37	347,300,977	40.41	347,300,977	35.54	347,300,977	11.66	347,300,977	3.31	347,300,977	28.33
Total	460,497,258	100.00	858,929,857	100.00	859,523,857	100.00	977,215,797	100.00	2,977,215,797	100.00	10,470,772,037	100.00	1,226,139,596	100.00

Notes:

1. Ms. Chan Mei Sau, Teresina has undertaken not to exercise the conversion rights attaching to the Golife Existing Convertible Bonds in an aggregate principal amount of HK$38,200,000 if such conversion will cause her shareholding interest in Golife, together with the shareholding interest of the parties acting in concert with her in Golife, equal to or exceed 30% of the Golife Shares in issue following such conversion unless Ms. Chan Mei Sau, Teresina is willing to make a general offer to all Golife shareholders pursuant to the Code.

2. Exercise of the conversion rights conferred under the Convertible Bond and the Settlement Convertible Bond is subject to the restriction that (i) that any conversion of the Convertible Bond and the Settlement Convertible Bond do not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) and their respective concerted parties which exercised the conversion rights; and (ii) any conversion of the Convertible Bond and the Settlement Convertible Bond do not cause Golife to be unable to meet the public float of 25% as required under the GEM Listing Rules.

3. Ms. Chu Yuet Wah is the beneficial owner of 210,000 Golife Shares. 13,124,608 Golife Shares are held by Best China Limited which is wholly and beneficially owned by Ms. Chu Yuet Wah. Adding the 96,955,673 Shares that she is deemed to be interested through Kingston Securities Limited ("Kingston Securities") as stated at note 4 below. Ms. Chu Yuet Wah is deemed to be interested in 110,290,281 Golife Shares.

4. The Open Offer of 131,570,645 Golife Offer Shares at a price of HK$0.05 per Golife Offer Share on the basis of two Golife Offer Shares for every five existing Golife Shares as detailed in Golife's circular on 19 December 2008 was completed on 15 January 2009. Pursuant to the terms of the underwriting agreement of the Open Offer entered into between Kingston Securities and Golife, Kingston Securities had subscribed for the 96,955,673 under-subscribed Golife Offer Shares. Ms. Chu Yuet Wah and Ms. Ma Siu Fong owns 51% interest in Kingston Securities respectively.

WAIVER APPLICATION FROM STRICT COMPLIANCE WITH RULES 4.06 AND 4.06A OF THE LISTING RULES

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rules 4.06 and 4.06A of the Listing Rules such that the accountants' reports cover the three financial years ended 31 December 2007 and the nine months ended 30 September 2008. The Stock Exchange has on 16 January 2009 granted such waiver.

Pursuant to Rules 4.06 and 4.06A of the Listing Rules, the accountants' reports to be included in this circular in relation to the Disposal shall comprise of three financial years immediately preceding the issue of this circular. The financial year adopted by the Company ends on 31 December.

Since the despatch date of this circular is soon after the year-end, the auditors were not able to complete the reporting on the financial year ended 31 December 2008. The Company proposed that the accountants' reports will report on the three financial years ended 31 December 2007 and the nine months ended 30 September 2008.

As this circular was issued on 23 January 2009 and the Company adopts a financial year ending 31 December, strict compliance will be unduly burdensome and impractical in that the Company would have needed time to close its books and the auditors would need more time to perform the audit of the Group's financial statements for the financial year ended 31 December 2008. If strict compliance by the Company is required, the despatch date of the circular would have to be delayed until potentially by the end of March 2009. The Directors are of the view that the salient terms of the Disposal have been published and it is in the interest of the Company and Shareholders that further information, in particular, the financial information in relation to the Disposal be disclosed to the market so that the Shareholders and potential investors could fully evaluate the Company's position and prospects. The Directors consider that prompt disclosure of the said financial information would avoid any speculation or rumors in relation to the Company and the Disposal in the market. As such, the Directors consider that strict compliance with Rules 4.06 and 4.06A would be prejudicial or seriously detrimental to the Company's interests and result in undue risk to the interest of the Shareholders and potential investors.

The Group is principally engaged in sales of financial assets, property investment and provision of management services to the concierge department of gaming promoters in Macau. Save as disclosed in the Management Discussion and Analysis on the Group in Appendix VI to this circular, the Directors confirm that given the nature of the Group's principal activities, the business cycle and pattern have been generally fairly stable and the income and expenses pattern during the last quarter of a year are more or less the same as that for the past months on the whole. As such, the Directors consider that the exclusion of the financial information relating to the period from 1 October 2008 to 31 December 2008 will not influence the assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and the impact of the Disposal to be disclosed in this circular. For the same reason, the Directors consider that such exclusion will not mislead the Shareholders and potential investors with regard to the facts and circumstance, knowledge of which is essential for an informed assessment of the Company's securities.

The grant of wavier by the Stock Exchange is subject to the following conditions:—

(i) this circular is to be despatched on or before 23 January 2009 and the SGM will be held no later than 12 February 2009; and

(ii) the Directors will confirm in this circular with basis that they have performed sufficient due diligence on the Group and the Disposed Group to ensure that, up to the date of this circular, there has been no material adverse change in the financial position or prospects of the Group and the Disposed Group since 30 September 2008, and that there has been no event since 30 September 2008 which would materially affect the information shown in the accountants' reports of the Group and the Disposed Group as set out in this circular (after taking into account the fact that the Company had issued a profit warning announcement on 11 December 2008 which disclosed that the Group would record a loss for the year ended 31 December 2008 as compared to a profit for the year ended 31 December 2007).

The Directors confirmed that, having have performed sufficient due diligence on the Group, the Shinhan-Golden Group and the World East Group, up to date of this circular, there has been no material adverse change in the financial position or prospects of the Group, the Shinhan-Golden Group and the World East Group since 30 September 2008 which would materially adverse affect the information shown in the accountants' reports on the Group, the Shinhan-Golden Group and the World East Group.

In arriving at the aforesaid conclusion, the Directors have considered that the valuation the Property, even if conducted in November and December 2008, would be approximately of the same amount of RMB800,000,000 as preliminarily valued as at 31 October 2008. As disclosed in Appendix VII of this circular, the value of the Property as at 30 November 2008 was appraised at RMB800,000,000. The Directors consider that the overall economic climate around the globe and in the PRC have become stabilized on the whole following the introduction of various economic rescue or stimulating packages or measures by governments around the globe, including the PRC authorities since October 2008.

The Directors confirm that all the conditions for the grant of wavier have been or, in relation to the holding of the SGM, will be fulfilled by the Company.

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in sales of financial assets, property investment and the provision of management services to the concierge department of gaming promoters in Macau.

The Disposal constitutes a very substantial disposal on the part of the Company under the Listing Rules and will be subject to the approval of the Shareholders at the SGM. To the best knowledge of the Director's knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. Accordingly, no Shareholder is required to abstain from voting on the resolution to approve the Disposal at the SGM.

Each of the subscriptions of the Consideration Shares and the Convertible Bond constitutes a very substantial acquisition on the part of the Company under the Listing Rules. The subscription of the Settlement Convertible Bond constitutes a potential very substantial acquisition on the part of the Company under the Listing Rules. Accordingly, they will be subject to the approval of the Shareholders at the SGM. To the best knowledge of the Director's knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the aforesaid subscription transactions. Accordingly, no Shareholder is required to abstain from voting on the resolutions to approve the aforesaid subscription transactions at the SGM.

Upon Completion, the financial assistance provided under the Hang Seng Guarantee and the financial assistance provided under the CJV Partner's Loan each constitutes a major transaction on the part of the Company under the Listing Rules. Therefore, the provision of financial assistance to the JV Company provided under the Hang Seng Guarantee and the financial assistance provided under the CJV Partner's Loan will be subject to approval of Shareholders at the SGM. To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the two major transactions. Accordingly, no Shareholder is required to abstain from voting on the resolutions to approve the financial assistance provided under the Hang Seng Guarantee and the financial assistance provided under the CJV Partner's Loan at the SGM.

The Disposal is conditional upon the conditions set out in the section headed "Condition precedent". As the subscription of the Consideration Shares, the subscription of the Convertible Bond, the subscription of the Settlement Convertible Bond, the provision of financial assistance under the Hang Seng Guarantee and the provision of financial assistance under the CJV Partner's Loan are parts of the terms and conditions of the Sale and Purchase Agreement, they are inter-conditional with the Disposal.

A notice convening the SGM is set out on pages 392 and 393 of this circular.

A form of proxy for use at the SGM is also enclosed with this circular. In order to be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 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 or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting in person if you so wish.

RECOMMENDATION

The Directors consider the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board
China Star Investment Holdings Limited
Heung Wah Keung
Chairman

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants.

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

23 January 2009

The Directors
China Star Investment Holdings Limited
Room 3408, Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of China Star Investment Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2008 (hereinafter collectively referred to as the "Relevant Periods") as set out in Section I and II below, for inclusion in the circular of the Company dated 23 January 2009 (the "Circular") in connection with the proposed disposals of entire issued share capital of Shinhan-Golden Faith International Development Limited and World East Investments Limited, wholly owned subsidiaries of the Company. The Financial Information comprises the consolidated balance sheets of the Group and the balance sheets of the Company 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 the Relevant Periods, and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in Bermuda on 29 October 1999 as an exempted company with limited liability and is engaged in investment holding.

As at the date of this report, the Company had direct and indirect interests in the principal subsidiaries as set out in note 18 of section I below all of which are private companies. The Company and its subsidiaries have adopted 31 December as their financial year end date. We have acted as the auditors of the Company and have audited the consolidated financial statements of the Group for the Relevant Periods.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited consolidated financial statements of the Group for each of the three years ended 31 December 2005, 2006 and 2007 and the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2008, after making adjustments as are appropriate, in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit and to report our opinion to you. We conducted our audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

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

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

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Company and the consolidated state of affairs of the Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 and of the consolidated results and cash flows of the Group for the years and period then ended.

COMPARATIVE FINANCIAL INFORMATION

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation of the unaudited financial information of the Group including the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine months ended 30 September 2007 (the "Comparative Unaudited Financial Information"), together with the notes thereto.

For the purpose of this report, our responsibility is to form an independent conclusion on the Comparative Unaudited Financial Information based on our review and to report our conclusion to you. We conducted our review on the Comparative Unaudited Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an andit. Accordingly, we do not express an audit opinion on the Comparative Unaudited Financial Information.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Comparative Unaudited Financial Information does not give a true and fair view of the consolidated results and cash flows of the Group.

I. FINANCIAL INFORMATION OF THE GROUP

Consolidated income statements

		For the year ended 31 December			For the nine months ended 30 September	
		2005	2006	2007	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Unaudited)	
Turnover	*7*	17,965	9,375	10,639	10,994	23,006
Cost of sales		(16,092)	(537)	(858)	(429)	(1,594)
Gross profit		1,873	8,838	9,781	10,565	21,412
Other revenue	*8*	2,066	5,699	3,205	2,147	3,402
Other income	*8*	7,110	200	106,956	106,956	—
Fair value changes of investment properties		—	590	43,853	—	(66,751)
Administrative costs		(19,332)	(26,811)	(67,623)	(59,734)	(39,307)
Selling costs		(29)	—	—	—	—
Impairment loss recognised in respect of film rights		(8,956)	—	—	—	—
Impairment loss recognised in respect of goodwill		(12,056)	—	(37,828)	—	(142,347)
(Loss)/profit from operations	*9*	(29,324)	(11,484)	58,344	59,934	(223,591)
Finance costs	*10*	(340)	(9,615)	(19,494)	(13,718)	(19,705)
(Loss)/profit before taxation		(29,664)	(21,099)	38,850	46,216	(243,296)
Taxation	*13*	—	(195)	(13,156)	—	33,311
(Loss)/profit for the year/period		(29,664)	(21,294)	25,694	46,216	(209,985)
Attributable to:						
Equity holders of the Company		(29,664)	(21,294)	25,694	46,216	(209,985)
(Loss)/earnings per share attributable to the equity holders of the Company (Hong Kong cents)						
Basic	*14*	(60.97)	(32.84)	24.96	51.00	(107.58)
Diluted	*14*	N/A	N/A	N/A	N/A	N/A

Consolidated balance sheets

		As at 31 December			As at 30 September
		2005	**2006**	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*16*	3,418	2,468	6,000	22,743
Investment properties	*17*	—	678,000	887,450	905,393
Goodwill	*19*	—	77,284	39,456	—
Intangible assets	*20*	—	—	—	456,857
Club membership		172	172	172	172
		3,590	757,924	933,078	1,385,165
Current assets					
Inventories	*21*	6	45,154	32,783	34,771
Film rights deposits		14	—	—	—
Trade receivables	*22*	4,729	936	1,245	7,357
Deposits, prepayments and other receivables	*23*	54,202	19,254	31,830	23,012
Financial assets at fair value through profit or loss	*24*	30,567	28,100	—	—
Tax prepayments	*25*	4,146	7,720	12,120	—
Cash and cash equivalents	*26*	137,973	63,140	531,396	104,553
		231,637	164,304	609,374	169,693
Total assets		235,227	922,228	1,542,452	1,554,858
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	*27*	51,540	64,843	195,186	1,952
Reserves		116,070	334,793	850,894	909,174
		167,610	399,636	1,046,080	911,126
Minority interests		—	3,896	3,896	—
Total equity		167,610	403,532	1,049,976	911,126

		As at 31 December			As at 30 September
		2005	**2006**	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Current liabilities					
Trade payables	*29*	1,714	—	—	—
Accruals and other payables	*30*	7,619	20,208	19,245	50,854
Receipts in advance	*31*	483	60,898	47,041	49,151
Amounts due to related companies	*32*	34,832	606	701	660
Secured bank loans — due within one year	*33*	—	5,470	27,533	23,246
Tax payables		22,969	23,240	22,969	1,300
		67,617	110,422	117,489	125,211
Non-current liabilities					
Secured bank loans — due after one year	*33*	—	351,957	301,485	297,033
Convertible notes	*34*	—	—	—	102,685
Deferred taxation	*35*	—	56,317	73,502	118,803
		—	408,274	374,987	518,521
Total equity and liabilities		235,227	922,228	1,542,452	1,554,858
Net current assets		164,020	53,882	491,885	44,482
Total assets less current liabilities		167,610	811,806	1,424,963	1,429,647

Balance sheets

		As at 31 December			As at 30 September
		2005	**2006**	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Interests in subsidiaries	*18*	—	41,824	4,873	634,766
Current assets					
Deposits, prepayments and other receivables	*23*	—	1,801	2,250	—
Cash and cash equivalents	*26*	136,670	55,862	489,538	638
		136,670	57,663	491,788	638
Total assets		136,670	99,487	496,661	635,404
EQUITY					
Share capital	*27*	51,540	64,843	195,186	1,952
Reserves	*28*	47,479	25,708	262,946	486,670
Total equity		99,019	90,551	458,132	488,622
LIABILITIES					
Current liabilities					
Accruals and other payables	*30*	1,118	233	943	1,332
Amount due to a related company	*32*	33,800	—	—	—
Amounts due to subsidiaries	*18*	2,733	8,703	37,586	35,910
		37,651	8,936	38,529	37,242
Non-current liabilities					
Convertible notes	*34*	—	—	—	102,685
Deferred taxation	*35*	—	—	—	6,855
		—	—	—	109,540
Total equity and liabilities		136,670	99,487	496,661	635,404
Net current assets/(liabilities)		99,019	48,727	453,259	(36,604)
Total assets less current liabilities		99,019	90,551	458,132	598,162

Consolidated statement of changes in equity

	Attributable to equity holders of the Company												
	Share capital	Share premium	Capital reserve	Contributed surplus	Special reserve	Property revaluation reserve	Share-based payment reserve	Convertible notes reserve	Exchange reserve	(Accumulated losses)/ Retained profits	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2005	47,520	—	19,834	80,103	—	3,182	—	—	—	(82,068)	68,571	—	68,571
Reserve realised on disposal of leasehold land and buildings	—	—	—	—	—	(3,182)	—	—	—	—	(3,182)	—	(3,182)
Issuance of new shares	4,020	132,706	—	—	—	—	—	—	—	—	136,726	—	136,726
Share issue expenses	—	(4,841)	—	—	—	—	—	—	—	—	(4,841)	—	(4,841)
Net loss for the year	—	—	—	—	—	—	—	—	—	(29,664)	(29,664)	—	(29,664)
As at 31 December 2005 and 1 January 2006	51,540	127,865	19,834	80,103	—	—	—	—	—	(111,732)	167,610	—	167,610
Issuance of new shares	13,303	252,761	—	—	—	—	—	—	—	—	266,064	—	266,064
Acquisition of a subsidiary	—	—	10	—	—	—	—	—	—	—	10	3,896	3,906
Special reserve arising from acquisition of a subsidiary	—	—	—	—	(19,955)	—	—	—	—	—	(19,955)	—	(19,955)
Exchange differences arising from translation of investments in foreign subsidiaries	—	—	—	—	—	—	—	—	7,201	—	7,201	—	7,201
Net loss for the year	—	—	—	—	—	—	—	—	—	(21,294)	(21,294)	—	(21,294)
As at 31 December 2006 and 1 January 2007	64,843	380,626	19,844	80,103	(19,955)	—	—	—	7,201	(133,026)	399,636	3,896	403,532
Exchange differences arising from translation of investments in foreign subsidiaries	—	—	—	—	—	—	—	—	29,533	—	29,533	—	29,533
Issuance of new shares	127,103	416,604	—	—	—	—	—	—	—	—	543,707	—	543,707
Share-based payment expenses	—	—	—	—	—	—	32,282	—	—	—	32,282	—	32,282
Exercise of share options	3,240	15,828	—	—	—	—	(3,840)	—	—	—	15,228	—	15,228
Net profit for the year	—	—	—	—	—	—	—	—	—	25,694	25,694	—	25,694
As at 31 December 2007 and 1 January 2008	195,186	813,058	19,844	80,103	(19,955)	—	28,442	—	36,734	(107,332)	1,046,080	3,896	1,049,976
Capital reorganisation *(note 27)*													
— capital reduction	(193,235)	—	—	193,235	—	—	—	—	—	—	—	—	—
— share premium cancellation	—	(813,058)	—	813,058	—	—	—	—	—	—	—	—	—
— set-off accumulated losses against contributed surplus	—	—	—	(518,374)	—	—	—	—	—	518,374	—	—	—
Exercise of share options	1	—	—	—	—	—	—	—	—	—	1	—	1
Share-based payment expenses	—	—	—	—	—	—	3,608	—	—	—	3,608	—	3,608
Acquisition of remaining interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(3,896)	(3,896)
Issuance of convertible notes	—	—	—	—	—	—	—	34,692	—	—	34,692	—	34,692
Exchange differences arising from translation of investments in foreign subsidiaries	—	—	—	—	—	—	—	—	36,730	—	36,730	—	36,730
Net loss for the period	—	—	—	—	—	—	—	—	—	(209,985)	(209,985)	—	(209,985)
As at 30 September 2008	1,952	—	19,844	568,022	(19,955)	—	32,050	34,692	73,464	201,057	911,126	—	911,126

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Special reserve HK$'000	Property revaluation reserve HK$'000	Share-based payment reserve HK$'000	Convertible notes reserve HK$'000	Exchange reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
UNAUDITED													
As at 1 January 2007	64,843	380,626	19,844	80,103	(19,955)	—	—	—	7,201	(133,026)	399,636	3,896	403,532
Issuance of new shares	62,041	289,930	—	—	—	—	—	—	—	—	351,971	—	351,971
Share-based payment expenses	—	—	—	—	—	—	32,282	—	—	—	32,282	—	32,282
Exercise of share options	3,240	15,828	—	—	—	—	(3,840)	—	—	—	15,228	—	15,228
Exchange differences arising from translation of investments in foreign subsidiaries	—	—	—	—	—	—	—	—	14,338	—	14,338	—	14,338
Net profit for the period	—	—	—	—	—	—	—	—	—	46,216	46,216	—	46,216
As at 30 September 2007	130,124	686,384	19,844	80,103	(19,955)	—	28,442	—	21,539	(86,810)	859,671	3,896	863,567

Notes:

(i) The capital reserve of the Group represents the difference of the share capital and share premium of the subsidiaries and the nominal value of the 880 shares issued by Riche (BVI) Limited (formerly known as "Ocean Shores (BVI) Limited") prior to the allotment of 120 shares to Classical Statues Limited and the amount arising from issue of share by a subsidiary.

(ii) The contributed surplus of the Group represents the net amount transferred from the share premium account and to the accumulated losses account pursuant to the special resolution passed at the special general meeting held on 22 August 2003.

(iii) The special reserve of the Group represents the difference between the fair value and the contracted value of consideration in respect of the acquisition of Shinhan-Golden Faith International Development Limited during the year ended 31 December 2006.

Consolidated Cashflow Statements

	For the year ended 31 December			For the nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
OPERATING ACTIVITIES					
(Loss)/profit before taxation	(29,664)	(21,099)	38,850	46,216	(243,296)
Adjustments for:					
Interest income	(1,339)	(4,314)	(2,990)	(2,069)	(3,368)
Dividend income	—	(754)	(78)	(78)	—
Wavier of secured bank loan interest	—	—	(106,956)	(106,956)	—
Fair value changes of financial assets at fair value through profit or loss	—	(5,360)	—	—	—
Fair value changes of investment properties	—	(590)	(43,853)	—	66,751
Finance costs	340	9,615	19,494	13,718	19,705
Amortisation of film rights	10,332	—	—	—	—
Amortisation of interests in leasehold land	10	—	—	—	—
Deprecation of property, plant and equipment	1,108	652	1,158	852	3,430
Impairment loss recognised in respect of goodwill	12,056	—	37,828	—	142,347
Impairment loss recognised in respect of trade receivables	1,084	1,050	9	—	—
Impairment loss recognised in respect of prepayments	1,188	131	—	—	—
Impairment loss on provision of bad and doubtful debts	1,390	—	—	—	—
Impairment loss recognised in respect of films rights	8,956	—	—	—	—
Loss on disposals of property, plant and equipment	—	1,956	3	3	3
Gain on disposal of leasehold land and building	(7,110)	—	—	—	—
Reversal of accruals in previous year	—	(200)	—	—	—
Share-based payment expenses	—	—	32,282	32,282	3,608

	For the year ended 31 December			For the nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Operating cash flows before movement in working capital	(1,649)	(18,913)	(24,253)	(16,032)	(10,820)
Decrease/(increase) in inventories	9	(1,309)	12,371	(1,693)	(1,988)
Additions of films rights	(8,947)	—	—	—	—
Decrease in film rights deposits	—	14	—	—	—
Decrease/(increase) in trade receivables	16,105	2,755	(318)	96	(6,112)
(Increase)/decrease in deposits, prepayments and other receivables	(50,037)	34,988	(12,576)	(372,502)	8,818
Fair value changes of financial assets at fair value through profit or loss	11,165	—	—	18,889	—
Decrease in available-for-sale financial assets	18,000	—	—	—	—
Decrease in deposits with a related company	5,000	—	—	—	—
Decrease in amount due from an associate	300	—	—	—	—
Decrease in trade payables	(269)	(1,714)	—	—	—
Increase/(decrease) in accruals and other payables	132	(41,337)	(963)	10,694	31,609
(Decrease)/increase in receipts in advance	(9,699)	1,335	(13,857)	2,204	2,110
Increase/(decrease) in amounts due to related companies	34,283	(34,226)	95	(6)	(41)
Cash generated from/(used in) operations	14,393	(58,407)	(39,501)	(358,350)	23,576
Tax (paid)/refund	—	(3,303)	(4,671)	(3,471)	3,736
Net cash generated from/(used in) operating activities	14,393	(61,710)	(44,172)	(361,821)	27,312

	For the year ended 31 December			For the nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
INVESTING ACTIVITIES					
Interest received	1,339	4,314	2,990	2,069	3,368
Dividend income	—	754	78	78	—
Proceeds from disposals of leasehold land and building	9,000	—	—	—	—
Proceeds from disposals of financial assets at fair value through profit or loss	—	13,461	—	81	—
Proceeds from disposals of property, plant and equipment	—	—	220	—	—
Effect from acquisition of subsidiaries	95	415	—	—	(364,821)
Additions to investment properties	—	(15,852)	(116,960)	(61,744)	(38,286)
Purchase of financial assets at fair value through profit or loss	—	(5,634)	—	—	—
Purchase of property, plant and equipment	(53)	(1,156)	(4,908)	(8,482)	(19,910)
Net cash generated from/(used in) investing activities	10,381	(3,698)	(118,580)	(67,998)	(419,649)
FINANCING ACTIVITIES					
Interest paid	(340)	(9,615)	(19,494)	(13,718)	(19,473)
Issuance of new shares and exercise of share option	131,179	—	562,775	367,199	1
Issuance of new shares upon exercise of warrants	706	—	—	—	—
Repayment of convertible notes payable	(33,800)	—	—	—	—
Repayment of capital element of a financial lease	(6)	—	—	—	—
Repayment of a secured bank loan	—	(250,000)	5,359	57,601	(28,420)
New secured bank loan raised	—	250,470	65,922	—	—

	For the year ended 31 December			For the nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net cash generated from/(used in) financing activities	97,739	(9,145)	614,562	411,082	(47,892)
Net increase/(decrease) in cash and cash equivalents	122,513	(74,553)	451,810	(18,737)	(440,229)
Effect of foreign exchange rate changes	—	(280)	16,446	(8,968)	13,386
Cash and cash equivalents at the beginning of the year/period	15,460	137,973	63,140	63,140	531,396
Cash and cash equivalent at the end of the year/period	137,973	63,140	531,396	35,435	104,553
Cash and bank balances	137,973	63,140	531,396	35,435	104,553

Notes to the financial information

1. General Information

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's principal activity is investment holding and the principal activities of its subsidiaries are set out in note 18 to the Financial Information.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the Relevant Periods, the Group has applied all of the new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA which are effective for the Relevant Periods. The adoption of the new HKFRSs had no material effect on the results and the financial position of the Group for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

3. Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards

The 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 Estate[1]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) — Int 17	Distributions 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 which is effective for annual periods beginning on or after 1 July 2009.

The Group is in the process of making an assessment of the impacts of the above new standards, amendments and interpretations on the 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 these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have 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 consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under historical cost convention except for certain financial assets at fair value through profit or loss and investment properties which are carried at fair values.

The preparation of consolidated financial statements 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 Company's accounting policies.

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 September 2008.

The results of subsidiaries acquired or disposed of during the year 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, balance, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(c) Revenue recognition

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

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

Revenue from sale of advertising rights is recognised when the right to receive payment is established.

Revenue from sales of financial assets at fair value through profit or loss are recognised when sale and purchase contracts became unconditional.

Rental income, including rental invoiced in advance from properties let under operating lease is recognised on a straight-line basis over the period of the respective leases.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

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

Service income is recognised when the services are rendered.

(d) 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 cash-generating 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.

(e) 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 on investment in subsidiaries and associates, except where the 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.

(f) 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 its 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:

Buildings	2%
Leasehold improvements	33.3%
Office equipment	20%
Motor vehicles	20%
Furniture and fixtures	15%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(g) 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 value of investment property are included in income statement 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 income statement in the year in which the investment properties are derecognized.

(h) Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(i) Goodwill

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

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate is included in the cost of the investment of the relevant associate.

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 on 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 cash-generating 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 or an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(j) Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to income statement on a straight-line basis over the assets' estimated useful lives from the date when they are available for use.

Both the period and method of amortisation are reviewed annually.

(k) Inventories

Inventories on finished goods are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Inventories on stock of properties, which are held for trading, is stated at the loer of cost and net realizable 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

(l) Financial Instruments

The 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.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) 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 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. Loan and receivables included loan receivables, convertible notes receivables and trade receivables.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(m) 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 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.

(n) Cash and cash equivalent

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term 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.

(o) Borrowings

Borrowings are recognized 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 recognized in the income statement over the period of the borrowings using the effective interest method.

(p) 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 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.

(q) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the accounts of 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 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 recognized 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.

(r) Employee benefits

(i) Bonuses

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

(ii) Retirement benefit obligations

The 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 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 Group.

(iii) Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the profit and loss account.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity in the balance sheet will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts when the share options are exercised and when the restricted share awards are vested.

(s) Borrowing costs

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

(t) Contingent liabilities and contingent asset

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 Group. It can also be a present obligation arising from past events that is not recognized 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 recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that out flow is probable, they will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose ixistence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recongised 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 recognized.

(u) Related parties 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.

(v) 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 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 the Group has a present obligation as a result of a past event, and it is probable that the 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 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) Impairment of intangible assets and goodwill

The Group performs annual tests on whether there has been impairment of intangible assets and goodwill in accordance with the accounting policies stated in note 4(i) and 4(j). The recoverable amounts of cash-generating units are 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 intangible assets and goodwill are stated in notes 19 and 20 to the Financial Information.

(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 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 Group estimates the useful lives of property, plant and equipment 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 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 17, the investment properties were revalued at the balance sheet dates on market value basis by reference to valuation reports issued by 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 Group considers information form current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions at each balance sheet dates.

6. Segment Information

Business segments

For management purposes, the Group is organised into five operating divisions, namely distribution, sub-licensing, sales of financial assets, property investment and provision of management services. These divisions are on the basis on which the Group reports its primary segment information.

Principal activities are as follows:

(i)	Distribution	— Distribution of films
(ii)	Sub-licensing	— Sub-licensing of film rights
(iii)	Sales of financial assets	— Sales of financial assets at fair value through profit or loss
(iv)	Property investment	— Leasing of rental properties
(v)	Provision of management services	— Providing management services to concierge department of gaming promoters appointed by Macau casinos

Segment information about these businesses for the Relevant Periods and the nine months ended 30 September 2007 is presented below:

Consolidated income statement
for the year ended 31 December 2005 (Restated)

	Distribution	Sub-licensing	Sales of financial assets	Property investment	Provision of management services	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	9,382	10,534	(1,951)	—	—	—	17,965
Segment results before impairment loss recognised in respect of film rights and goodwill	2,443	(4,613)	(2,045)	—	—	—	(4,215)
Impairment loss recognised in respect of film rights	(8,956)	—	—	—	—	—	(8,956)
Impairment loss recognised in respect of goodwill	—	(12,056)	—	—	—	—	(12,056)
Segment results	(6,513)	(16,669)	(2,045)	—	—	—	(25,227)
Unallocated corporate income							9,176
Unallocated corporate expenses							(13,273)
Loss from operations							(29,324)
Finance costs							(340)
Loss before taxation							(29,664)
Taxation							—
Loss for the year attributable to equity holders of the Company							(29,664)
Assets							
Segment assets	4,582	4,729	41,869	—	—	—	51,180
Unallocated corporate assets							184,047
Consolidated total assets							235,227
Liabilities							
Segment liabilities	2,439	6,172	—	—	—	—	8,611
Unallocated corporate liabilities							59,006
Consolidated total liabilities							67,617
Other segment information							
Capital expenditures	—	—	53	—	—	—	53
Depreciation and amortisation	3,246	7,086	1,108	—	—	10	11,450
Impairment losses recognised	8,956	12,056	—	—	—	—	21,012

Consolidated income statement
for the year ended 31 December 2006 (Restated)

	Distribution	Sub-licensing	Sales of financial assets	Property investment	Provision of management services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	164	200	7,128	1,883	—	9,375
Segment results	74	23	7,128	2,203	—	9,428
Unallocated corporate income						5,899
Unallocated corporate expenses						(26,811)
Loss from operations						(11,484)
Finance costs						(9,615)
Loss before taxation						(21,099)
Taxation						(195)
Loss for the year attributable to equity holders of the Company						(21,294)
Assets						
Segment assets	804	7,593	32,156	815,360	—	855,913
Unallocated corporate assets						66,315
Consolidated total assets						922,228
Liabilities						
Segment liabilities	—	3,051	367	50,972	—	54,390
Unallocated corporate liabilities						464,306
Consolidated total liabilities						518,696
Other segment information						
Capital expenditures	1,115	—	23	15,870	—	17,008
Depreciation	143	1	468	40	—	652
Impairment losses recognised	1,195	—	—	—	—	1,195

Consolidated income statement
for the year ended 31 December 2007 (Restated)

	Distribution	Sub-licensing	Sales of financial assets	Property investment	Provision of management services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	—	—	7,722	2,917	—	10,639
Segment results before impairment loss recognised in respect of goodwill	—	—	7,722	45,912	—	53,634
Impairment loss recognised in respect of goodwill	—	—	—	(37,828)	—	(37,828)
Segment results	—	—	7,722	8,084	—	15,806
Unallocated corporate income						110,161
Unallocated corporate expenses						(67,623)
Profit from operations						58,344
Finance costs						(19,494)
Profit before taxation						38,850
Taxation						(13,156)
Profit for the year attributable to equity holders of the Company						25,694
Assets						
Segment assets	738	11,264	4,509	1,021,270	—	1,037,781
Unallocated corporate assets						504,671
Consolidated total assets						1,542,452
Liabilities						
Segment liabilities	—	2,669	718	55,660	—	59,047
Unallocated corporate liabilities						433,429
Consolidated total liabilities						492,476
Other segment information						
Capital expenditures	17	—	—	121,850	—	121,867
Depreciation	563	—	—	595	—	1,158
Impairment losses recognised	—	—	—	37,838	—	37,838

Consolidated income statement
for the nine months ended 30 September 2008

	Distribution	Sub-licensing	Sales of financial assets	Property investment	Provision of management services	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	—	2,000	(951)	17,215	4,742	—	23,006
Segment results before impairment loss recognised in respect of goodwill	—	2,000	(951)	(51,130)	4,742	—	(45,339)
Impairment loss recognised in respect of goodwill	—	—	—	(40,382)	(101,965)	—	(142,347)
Segment results	—	2,000	(951)	(91,512)	(97,223)	—	(187,686)
Unallocated corporate income							3,402
Unallocated corporate expenses							(39,307)
Loss from operations							(223,591)
Finance costs							(19,705)
Loss before taxation							(243,296)
Taxation							33,311
Loss for the period attributable to equity holders of the Company							(209,985)
Assets							
Segment assets	559	7,060	7,036	1,076,240	462,379	—	1,553,274
Unallocated corporate assets							1,584
Consolidated total assets							1,554,858
Liabilities							
Segment liabilities	—	1,535	1,024	437,493	55,392	—	495,444
Unallocated corporate liabilities							148,288
Consolidated total liabilities							643,732
Other segment information							
Capital expenditures	—	—	864	18,670	—	376	19,910
Depreciation	4	1	417	2,914	—	94	3,430
Impairment losses recognised	—	—	—	(40,382)	(101,965)	—	(142,347)

Consolidated income statement
for the nine months ended 30 September 2007 (unaudited)

	Distribution	Sub-licensing	Sales of financial assets	Property investment	Provision of management services	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	—	—	8,790	2,204	—	—	10,994
Segment results before impairment loss recognised in respect of goodwill	—	—	8,790	1,775	—	—	10,565
Impairment loss recognised in respect of goodwill	—	—	—	—	—	—	—
Segment results	—	—	8,790	1,775	—	—	10,565
Unallocated corporate income							109,103
Unallocated corporate expenses							(59,734)
Profit from operations							59,934
Finance costs							(13,718)
Profit before taxation							46,216
Taxation							—
Profit for the period attributable to equity holders of the Company							46,216
Assets							
Segment assets	756	7,202	7,199	945,100	—	—	960,257
Unallocated corporate assets							387,377
Consolidated total assets							1,347,634
Liabilities							
Segment liabilities	—	197	965	436,961	—	—	438,123
Unallocated corporate liabilities							45,944
Consolidated total liabilities							484,067
Other segment information							
Capital expenditures	—	—	5	8,477	—	—	8,482
Depreciation	6	1	419	426	—	—	852
Impairment losses recognised	—	—	—	—	—	—	—

Geographical segments

The Group mainly operates in Hong Kong, Macau and The People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover and segment results by geographical market, irrespective of the origin of goods and services.

	Hong Kong and Macau	**The PRC**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31 December 2005 (Restated)			
Turnover	(1,951)	19,916	17,965
Segment results	(2,045)	(23,182)	(25,227)
For the year ended 31 December 2006 (Restated)			
Turnover	7,292	2,083	9,375
Segment results	7,202	2,226	9,428
For the year ended 31 December 2007 (Restated)			
Turnover	7,722	2,917	10,639
Segment results	7,722	8,084	15,806
For the nine months ended 30 September 2008			
Turnover	5,791	17,215	23,006
Segment results	(96,174)	(91,512)	(187,686)
For the nine months ended 30 September 2007 (unaudited)			
Turnover	8,790	2,204	10,994
Segment results	8,790	1,775	10,565

The following is an analysis of the carrying amounts of segment assets and segment liabilities, capital expenditures and depreciation, analysed by geographical area in which the assets and liabilities located:

	Hong Kong and Macau	**The PRC**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31 December 2005			
Segment assets	56,198	5,101	61,299
Segment liabilities	1,161	3,740	4,901
Capital expenditures	53	—	53
Depreciation and amortisation	1,086	2	1,088
For the year ended 31 December 2006			
Segment assets	32,960	822,953	855,913
Segment liabilities	367	54,023	54,390
Capital expenditures	1,138	15,870	17,008
Depreciation	611	41	652
For the year ended 31 December 2007			
Segment assets	5,247	1,032,534	1,037,781
Segment liabilities	718	58,329	59,047
Capital expenditures	17	121,850	121,867
Depreciation	563	595	1,158
For the nine months ended 30 September 2008			
Segment assets	477,034	1,076,240	1,553,274
Segment liabilities	57,951	437,493	495,444
Capital expenditure	864	18,670	19,534
Depreciation	422	2,914	3,336
For the nine months ended 30 September 2007 (unaudited)			
Segment assets	15,157	945,100	960,257
Segment liabilities	1,162	436,961	438,123
Capital expenditures	5	8,477	8,482
Depreciation	426	426	852

7. Turnover

	For the year ended 31 December			For the nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Unaudited)	
Distribution of films	9,382	164	—	—	—
Sub-licensing of film rights	10,534	200	—	—	2,000
Sales of financial assets at fair value through profit or loss, net*	(1,951)	7,128	7,722	8,790	(951)
Rental income	—	1,883	2,917	2,204	17,215
Service fee income	—	—	—	—	4,742
	17,965	9,375	10,639	10,994	23,006

* Financial assets at fair value through profit or loss represents the sale of financial assets at fair value through profit or loss less the cost of sales which comprises (i) the cost of financial assets at fair value through profit or loss and (ii) the fair value changes of financial assets at fair value through profit or loss respectively.

An analysis of financial assets at fair value through profit or loss is as follows:

	For the year ended 31 December			For the nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Sales of financial assets at fair value through profit or loss	18,423	15,229	35,822	27,575	2,633
Cost of financial assets at fair value through profit or loss	(20,374)	(13,461)	(28,100)	(24,345)	(3,584)
Fair value changes of financial assets at fair value through profit or loss	—	5,360	—	5,560	—
	(1,951)	7,128	7,722	8,790	(951)

Notes:

In the prior year's financial statements, the Group separately presented the proceeds from the sale of financial assets at fair value through profit or loss as "turnover"; the cost of financial assets at fair value through profit or loss as "cost of sales"; and the fair value changes of financial assets at fair value through profit or loss. During the current year, the Group restated the gain/loss on sales of financial assets and fair value changes of financial assets at fair value through profit or loss as "turnover" on the net basis.

The Group has revised its presentation of revenue in order to reflect the nature of sales of financial assets in a more appropriate manner and to conform with market practice.

8. Other Revenue and Other Income

	For the year ended 31 December			For the nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Other revenue:					
Dividend income from financial assets at fair value through profit or loss	627	754	78	78	—
Interest income on bank deposits	1,339	4,314	2,990	2,069	3,368
Sundry income	100	631	137	—	34
	2,066	5,699	3,205	2,147	3,402

	For the year ended 31 December			For the nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Unaudited)	
Other income:					
Gain on disposal of leasehold land and buildings	7,110	—	—	—	—
Waiver of secured bank loan interest	—	—	106,956	106,956	—
Reversal of overprovision of accruals in previous year	—	200	—	—	—
	7,110	200	106,956	106,956	—

9. (Loss)/Profit from Operations

(Loss)/profit from operations has been arrived at after charging:

	For the year ended 31 December			For the nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Amortisation of prepaid operating lease payment	10	—	—	—	—
Amortisation of film rights	10,332	—	—	—	—
Auditors' remuneration	500	600	600	450	450
Cost of inventories sold	33	89	—	—	—
Depreciation of property, plant and equipment					
— Owned assets	1,098	652	1,158	852	3,430
— Assets held under finance lease	10	—	—	—	—
Impairment loss recognised in respect of trade receivables	1,084	1,050	9	—	—
Impairment loss recognised in respect of film right deposits	—	14	—	—	—
Impairment loss recognised in respect of prepayments	1,188	131	—	—	—
Impairment loss on provision of bad and doubtful debts	1,390	—	—	—	—
Loss on disposal of property, plant and equipment	—	1,956	3	3	3
Share-based payment expenses in respect of consultancy services	—	—	6,370	6,370	985
Operating lease rentals in respect of rented premise	900	1,710	2,315	1,735	1,461
Staff costs including directors' emoluments					
— Salaries	6,813	7,258	8,349	6,262	7,851
— Contribution to retirement benefits scheme	143	117	114	87	187
— Share-based payment expenses	—	—	25,912	25,912	2,623

10. Finance Costs

	For the year ended 31 December			For the nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interests expenses on borrowings wholly repayable within five years:					
— finance lease	2	—	—	—	—
— convertible notes	100	—	—	—	832
— loan payable	238	100	—	—	—
— secured bank loans	—	9,515	19,494	13,718	18,873
	340	9,615	19,494	13,718	19,705

11. Directors' Emoluments

The aggregate amount of emoluments payable to the directors of the Company for the year ended 31 December 2005, 2006 and 2007 and the nine months ended 30 September 2007 and 2008 were HK$1,710,000, HK$360,000, HK$360,000, HK$270,000 and HK$270,000 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. Heung Wah Keung	—	—	—	—	—
Ms. Chen Ming Yin, Tiffany	—	—	—	—	—
Mr. Lei Hong Wai *(Note i)*	—	1,341	9	—	1,350
Mr. Lai Hok Lim *(Note ii)*	30	—	—	—	30
Mr. Tang Chak Lam, Gilbert	120	—	—	—	120
Mr. Ho Wai Chi, Paul	120	—	—	—	120
Mr. Lien Wai Hung *(Note iii)*	90	—	—	—	90
	360	1,341	9	—	1,710

For the year ended 31 December 2006

	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 Yin, Tiffany	—	—	—	—	—
Mr. Tang Chak Lam, Gilbert	120	—	—	—	120
Mr. Ho Wai Chi, Paul	120	—	—	—	120
Mr. Lien Wai Hung *(Note iii)*	120	—	—	—	120
	360	—	—	—	360

For the year ended 31 December 2007

	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 Yin, Tiffany	—	—	—	—	—
Mr. Tang Chak Lam, Gilbert	120	—	—	—	120
Mr. Ho Wai Chi, Paul	120	—	—	—	120
Mr. Lien Wai Hung *(Note iii)*	120	—	—	—	120
	360	—	—	—	360

For the nine months period ended 30 September 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 Yin, Tiffany	—	—	—	—	—
Mr. Tang Chak Lam, Gilbert	90	—	—	—	90
Mr. Ho Wai Chi, Paul	90	—	—	—	90
Mr. Lien Wai Hung *(Note iii)*	90	—	—	—	90
	270	—	—	—	270

For the nine months period ended 30 September 2007 (unaudited)

	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 Yin, Tiffany	—	—	—	—	—
Mr. Tang Chak Lam, Gibert	90	—	—	—	90
Mr. Ho Wai Chi, Paul	90	—	—	—	90
Mr. Lien Wai Hung *(Note iii)*	90	—	—	—	90
	270	—	—	—	270

Notes:

(i) Mr. Lei Hong Wai resigned as a director on 13 October 2005.

(ii) Mr. Lai Hok Lim resigned as a director on 12 April 2005.

(iii) Mr. Lien Wai Hung was appointed as a director on 12 April 2005.

12. Five Highest Paid Individuals

The emoluments paid to the five highest paid individuals of the Group during the Relevant Periods and the nine months period ended 30 September 2007 were as follows:

	For the year ended 31 December			For the nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and other benefits	2,244	4,545	4,773	3,274	3,841
Share-based payment expenses	—	—	7,289	7,289	490
Retirement benefit scheme contributions	48	48	48	48	27
	2,292	4,593	12,110	10,611	4,358

None of the five highest paid individuals of the Group was the director of the Company. Their emoluments were within the following bands:

	Number of employees				
	For the year ended 31 December			For the nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Nil to HK$ 1,000,000	—	3	—	—	3
HK$ 1,000,001 to HK$ 1,500,000	—	1	—	—	1
HK$ 1,500,001 to HK$ 2,000,000	—	1	1	2	1
HK$ 2,000,001 to HK$ 2,500,000	—	—	3	2	—
HK$ 2,500,001 to HK$ 3,000,000	—	—	—	1	—
HK$ 3,500,001 to HK$ 4,000,000	—	—	1	—	—

During the Relevant Periods and the nine months period ended 30 September 2007, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments.

13. Taxation

	For the year ended 31 December			For the nine months ended 30 September	
	2005	2006	2007	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current tax	—	—	—	—	569
Tax credit	—	—	—	—	(13,854)
Deferred tax *(note 35)*	—	195	13,156	—	(20,026)
	—	195	13,156	—	(33,311)

No provision for Hong Kong Profits Tax or the PRC Corporate Income Tax has been made for the Relevant Periods as the Group either has no estimated assessable profits or its estimated assessable profits are wholly absorbed by the estimated tax losses brought forward. Taxation arising on other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Hong Kong Profits Tax is calculated at 17.5% (for the nine months ended 30 September 2008: 16.5%) of the estimated assessable profits of certain subsidiaries in Hong Kong for the Relevant Periods.

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.

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

An objection was lodged by Ocean Shore Licensing Limited ("OSLL"), a wholly-owned subsidiary of the Company, against the estimated assessments for the years of assessment from 1994/1995 to 2000/2001 in relation to the offshore claims of sub-licensing income. Provision for taxation of HK$22,238,000 had been made in the Company's audited consolidated financial statements. In February 2008, OSLL reached a compromise settlement on the estimated assessments with the Inland Revenue Department for settling the outstanding tax in an aggregate amount of HK$12,021,000, which included a surcharge of HK$3,637,000. Therefore, a tax credit of HK$13,854,000 was recognised during the nine months ended 30 September 2008.

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

	For the years ended 31 December						For the nine months ended 30 September			
	2005		2006		2007		2007		2008	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
(Loss)/profit before taxation	(29,644)		(21,099)		38,850		46,216		(243,296)	
Taxation at income tax rate of 16.5% (30 September 2007, 31 December 2007, 2006 and 2005: 17.5%)	(5,191)	17.5	(3,692)	17.5	6,799	17.5	8,088	17.5	(40,143)	16.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	—	—	—	11,944	30.7	10,445	22.6	(7,607)	3.1
Tax effect of income that is not taxable in determining taxable profit	(8,554)	28.8	(10,628)	50.4	(9,809)	(25.2)	(19,982)	(43.2)	(556)	0.2
Utilisation of tax losses previously not recognised	—	—	—	—	(17,700)	(45.5)	(6,990)	(15.1)	—	—
Tax effect of expenses that are not deductible in determining taxable profit	11,308	(38.1)	1,833	(8.7)	6,620	17.0	149	0.3	24,791	(10.2)
Tax losses not yet recognised	2,437	(8.2)	12,487	(59.2)	2,146	5.5	8,290	17.9	24,084	(9.9)
Tax refund	—	—	—	—	—	—	—	—	(13,854)	5.7
Increase/(decrease) in deferred tax	—	—	195	(0.9)	13,156	33.9	—	—	(20,026)	8.2
Taxation charge/(credit) for the year/period	—	—	195	(0.9)	13,156	33.9	—	—	(33,311)	13.6

14. (Loss)/Earnings per Share

The calculation of the basis and diluted (loss)/earnings per share is based on the following data:

	For the year ended 31 December			For the nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
(Loss)/profits attributable to equity holders of the Company for the purposes of basic and diluted (loss)/earnings per share	(29,664)	(21,294)	25,694	46,216	(209,985)
Number of shares	*'000*	*'000*	*'000*	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/ earnings per share	48,652	64,843	102,941	90,623	195,187

The weighted average number of ordinary shares for the purposes of basic and diluted (loss)/ earnings per share has been adjusted to take into the effect of the share consolidation that became effective on 21 May 2007 and 2 May 2008 respectively. Details of the share consolidation are set out in note 27 to the Financial Information.

The computation of diluted loss per share for the years ended 31 December 2005, 2006 and the nine months ended 30 September 2008 did not assume the exercise of the Company's share options because the effect of exercising an option to subscribe for an additional share in the Company would result in a decrease of loss per share.

Diluted earnings per share for the year ended 31 December 2007 and nine months period ended 30 September 2007 were the same as the basic earnings per share. The Company's outstanding share options were not included in the calculation of diluted earning per share because the effect of the Company's outstanding share options was anti-dilutive.

15. Dividend

The directors of the Company do not recommend the payment of any dividend for the Relevant Periods.

16. Property, Plant and Equipment

The Group

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$000*
Cost:						
As at 1 January 2005	3,537	2,136	4,058	1,633	2,128	13,492
Additions	—	39	14	—	—	53
Disposals	(3,537)	—	(1)	—	—	(3,538)
As at 31 December 2005 and 1 January 2006	—	2,175	4,071	1,633	2,128	10,007
Additions	—	1,115	41	—	—	1,156
Additions through acquisition of subsidiaries *(note 36)*	—	—	1,926	—	—	1,926
Disposals	—	(909)	(5,297)	—	(1,030)	(7,236)
Exchange alignments	—	—	20	—	—	20
As at 31 December 2006 and 1 January 2007	—	2,381	761	1,633	1,098	5,873
Additions	—	—	4,907	—	—	4,907
Disposals	—	—	(562)	(376)	—	(938)
Exchange alignments	—	—	8	—	—	8
As at 31 December 2007 and 1 January 2008	—	2,381	5,114	1,257	1,098	9,850
Additions	—	1,074	17,089	813	934	19,910
Written off	—	—	(2)	—	(5)	(7)
Exchange alignments	—	—	304	—	—	304
As at 30 September 2008	—	3,455	22,505	2,070	2,027	30,057

The Group

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation:						
As at 1 January 2005	—	1,572	2,400	576	969	5,517
Charge for the year	35	385	310	211	167	1,108
Eliminated on disposals	(35)	—	(1)	—	—	(36)
As at 31 December 2005 and 1 January 2006	—	1,957	2,709	787	1,136	6,589
Charge for the year	—	223	155	169	105	652
Acquisition of subsidiaries *(note 36)*	—	—	1,446	—	—	1,446
Eliminated on disposals	—	(873)	(3,831)	—	(576)	(5,280)
Exchange alignments	—	—	(2)	—	—	(2)
As at 31 December 2006 and 1 January 2007	—	1,307	477	956	665	3,405
Charge for the year	—	358	608	127	65	1,158
Eliminated on disposals	—	—	(423)	(292)	—	(715)
Exchange alignments	—	—	2	—	—	2
As at 31 December 2007 and 1 January 2008	—	1,665	664	791	730	3,850
Charge for the period	—	290	2,895	192	53	3,430
Written off	—	—	(1)	—	(3)	(4)
Exchange alignments	—	—	38	—	—	38
As at 30 September 2008	—	1,955	3,596	983	780	7,314
Net book values:						
As at 30 September 2008	—	1,500	18,909	1,087	1,247	22,743
As at 31 December 2007	—	716	4,450	466	368	6,000
As at 31 December 2006	—	1,074	284	677	433	2,468
As at 31 December 2005	—	218	1,362	846	992	3,418

17. Investment Properties

The Group

	As at 31 December			As at 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year/period	—	—	678,000	887,450
Acquisition of subsidiaries *(note 36)*	—	641,982	—	—
Additions	—	15,852	101,347	38,286
Exchange alignment	—	19,576	48,637	46,408
Transfer from inventories	—	—	15,613	—
Fair value changes recognised in the consolidated income statement	—	590	43,853	(66,751)
At end of the year/period	—	678,000	887,450	905,393

The fair value of the Group's investment properties as at 31 December 2005, 2006 and 2007 have been arrived at on the basis of a 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 valuer not connected with the Group, has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair values of investment properties shown above comprise:

The Group

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

All of the 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.

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the Group's investment properties with carrying amounts of approximately HK$Nil, HK$678,000,000, HK$852,081,000 and HK$856,170,000 respectively have been pledged to secure banking facilities granted to the Group.

18. Interests in Subsidiaries

The Company

	As at 31 December			As at 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	83,553	83,553	83,553	83,553
Impairment losses recognised	(83,553)	(83,553)	(83,553)	(83,553)
	—	—	—	—
Amounts due from subsidiaries	249,304	562,170	709,207	1,339,100
Provision for impairment	(249,304)	(520,346)	(704,334)	(704,334)
	—	41,824	4,873	634,766

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors of the Company, the carrying amounts of the amounts due from subsidiaries 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.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of amounts due to subsidiaries approximate to their fair values.

Details of the Company's subsidiaries are set out as follows:

Name of subsidiary	Place of incorporation	Particulars of issued share capital/ registered capital	Principal activities
Beijing Jianguo Real Estate Development Company, Limited	British Virgin Islands	1 ordinary share of US$1	Dormant
Best Season Holdings Corporation	British Virgin Islands	100 ordinary shares of US$1 each	Dormant
Bluelagoon Investment Holdings Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding, sales of financial assets, distribution of films and sub-licensing of film rights in the PRC
Dragon Leader Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding

Name of subsidiary	Place of incorporation	Particulars of issued share capital/ registered capital	Principal activities
Gainful Fortune Limited	British Virgin Islands	160,000,100 ordinary shares of HK$1 each	Holding of film rights
Legend Rich Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding
Rich Joy Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	Dormant
Ocean Shores Licensing Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	Holding of film rights outside Hong Kong
Riche Advertising Limited	British Virgin Islands	1 ordinary share of US$1	Sales of financial assets
Riche (BVI) Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	Investment holding in Hong Kong
Riche Distribution Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	Sub-licensing of film rights in Hong Kong and sales of financial assets
Riche International (Macao Commercial Offshore) Limited	Macau	1 share of MOP100,000	Distribution of films and sub-licensing of film rights in the PRC
Riche Multi-Media Limited	Hong Kong	2 ordinary shares of HK$1 each	Distribution of films and other video features in the PRC
Riche Pictures Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding in Hong Kong
Riche Video Limited	Hong Kong	10 ordinary shares of HK$100 each 20,000 non-voting deferred shares of HK$100 each*	Distribution of video products in Hong Kong
Shinhan-Golden Faith International Development Limited	British Virgin Islands	10,000,000 ordinary shares of US$1 each	Investment holding in the PRC
Stable Income Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	Dormant

Name of subsidiary	Place of incorporation	Particulars of issued share capital/ registered capital	Principal activities
World East Investments Limited	British Virgin Islands	1 ordinary share of US$1	Distribution of films and sub-licensing of film rights in the PRC through a PRC agent
北京莎瑪房地產開發有限公司("Beijing Shama Real Estate Development Limited") (formerly known as 北京建國房地產開發有限公司 ("Beijing Jianguo Real Estate Development Co. Ltd"))	the PRC	Registered capital of US$15,000,000	Property investment in the PRC
Rich Daily Group Limited	British Virgin Islands	100 ordinary shares of US$1	Provision of management services

* The non-voting deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.

The Company directly holds the interest in Riche (BVI) Limited. All other subsidiaries are indirectly held by the Company.

All of the subsidiaries are wholly-owned by the Company, except Best Season Holdings Corp., which was 75% owned by the Group.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

19. Goodwill

	The Group
	HK$'000
Cost:	
As at 1 January 2005	39,530
Elimination of accumulated amortisation and impairment upon adoption of HKFRS 3	(7,058)
Acquisition of a subsidiary *(note i)*	7,656
As at 31 December 2005 and 1 January 2006	40,128
Acquisition of subsidiaries *(note ii)*	77,284
As at 31 December 2006,1 January 2007 and 31 December 2007	117,412
Acquisition of subsidiaries *(note iv and note v)*	102,891
As at 30 September 2008	220,303
Accumulated amortisation and impairment:	
As at 1 January 2005	35,130
Elimination of goodwill on adoption of HKFRS 3	(7,058)
Impairment loss recognised *(note iii)*	12,056
As at 31 December 2005, 1 January 2006 and 31 December 2006	40,128
Impairment loss recognised	37,828
As at 31 December 2007 and 1 January 2008	77,956
Impairment loss recognised	142,347
As at 30 September 2008	220,303
Carrying amounts:	
As at 30 September 2008	—
As at 31 December 2007	39,456
As at 31 December 2006	77,284
As at 31 December 2005	—

Notes:

(i) On 19 April 2005, the Group exercised the right under the convertible notes issued by Gainful Fortune Limited ("Gainful Fortune") to convert the outstanding principal of HK$160,000,000 into shares of Gainful Fortune at a conversion price of HK$1 per share. Since then, Gainful Fortune and its wholly-owned subsidiary, Ocean Shores Licensing Limited, (hereinafter collectively refered to as "Gainful Fortune Group") become subsidiaries of the Group. As a result, a positive goodwill of approximately HK$7,656,000 was arisen from the acquisition of Gainful Fortune.

(ii) On 21 June 2006, the Group acquired 100% of the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and the debts owed by Shin-Golden to Northbay Investments Holdings Limited ("Northbay"). The total consideration of the acquisition at fair value was approximately HK$246,109,000. As a result, a positive goodwill of approximately HK$77,284,000 arose from the acquisition of Shinhan-Golden.

(iii) Due to the continuous losses incurred by Gainful Fortune Group and World East Investments Limited, the directors of the Company reassessed the recoverable amount of the goodwill and decided to make impairment loss on goodwill of approximately HK$7,656,000 and HK$4,400,000 respectively.

(iv) On 18 June 2008, the Group further acquired 3.33% of the issued share capital of Beijing Shama Real Estate Development Limited ("Beijing Shama"). The total consideration of the acquisition at fair value was approximately HK$4,824,000. As a result, a positive goodwill of approximately HK$926,000 arose from the acquisition of Beijing Jianguo.

(v) On 29 August 2008, the Group acquired 100% of the issued share capital of Rich Daily Group Limited ("Rich Daily"). The total consideration of the acquisition at fair value was approximately HK$504,000,000. As a result, a positive goodwill of approximately HK$101,965,000 was arisen from the acquisition of Rich Daily.

Impairment of goodwill

Goodwill arising from the acquisition of Shinhan-Golden and Beijing Shama has been allocated to the leasing of rental property, which is property investment segment and is the cash-generating units ("CGU") identified. Goodwill arising from the acquisition of Rich Daily has been allocated to the provision of management services, which is provision of management services segment and is the CGU identified.

During the year ended 31 December 2006 and 2007 and the nine months ended 30 September 2008, the directors reassessed the recoverable amount of the CGU with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuers, and determined that an impairment loss in respect of goodwill of approximately HK$Nil and HK$37,828,000 and HK$142,347,000 was recognised respectively.

The recoverable amount of the CGU was assessed by reference to value-in-use calculation. A discount rate of 16.14%, 15.43% and 16.03% respectively for the year ended 31 December 2006, 2007 and the nine months ended 30 September 2008 per annum was applied in the value-in-use model which uses cash flow projection based on financial forecasts approved by the directors of the Company (the "Approved Forecast") covering a ten-year period. Cash flows beyond the ten-year have been extrapolated using a steady 7% growth rate. The growth rate is made by reference to National Bureau of Statistics of China and does not exceed the long-term average growth rate for the market in which the CGU operates. There are a number of assumptions and estimates involved for the preparation of the cash flow projection for the period covered by the Approved Forecast. Key assumptions include gross margin, growth rate and discount rate which are determined by management of the Group based on past experience and its expectation for market development. Gross margin are budgeted gross margin. Growth rate represents the rate used to extrapolate cash flows beyond the ten-year budgeted period and is consistent with the Approved Forecast. The discount rate used is pre-tax and reflects specific risks relating to the market.

20. Intangible Assets

	The Group
	HK$'000
Cost:	
As at 31 December 2005, 2006 and 2007 and 1 January 2008	—
Acquisition of a subsidiary *(note 36)*	456,857
As at 30 September 2008	456,857
Accumulated amortisation:	
As at 31 December 2005, 2006 and 2007 and 30 September 2008	—
Carrying amount:	
As at 30 September 2008	456,857
As at 31 December 2005, 2006 and 2007	—

The intangible assets represented the contract rights to receive services fees by providing management services. The intangible assets have an indefinite useful life and no amortisation has been made.

The directors of the Company reassessed the recoverable amount of contract rights with reference to the valuation performed by Grant Sherman Appraisal Limited, independent qualified professional valuers and determined that no impairment loss is recognised.

The recoverable amount of contract rights was assessed by reference to value-in-use calculation. A discount rate of 18.72% per annum was applied in the value-in-use model which uses cash flow projections based on financial forecasts approved by the directors of the Company covering a ten-year period. There are a number of assumptions and estimates involved for the preparation of the cash flow projections for the period covered by the forecast. Key assumptions include gross margin and growth rate which are determined by the management of the Group based on its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the industry.

21. Inventories

	The Group			
				As at 30
	As at 31 December			September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finished goods	6	—	—	—
Properties held-for-sale	—	45,154	32,783	34,771
	6	45,154	32,783	34,771

All inventories were carried at cost during the Relevant Periods.

Properties held-for-sale solely comprised of certain units of apartments held by Beijing Shama, a subsidiary of Shinhan-Golden, of which sale and purchase agreements were entered into and full considerations have been received by Beijing Jianguo in respect of these units of apartment (note 31 to the Financial Information). However, the transfer of legal titles of these units of apartments has not yet been completed at the date of this report.

22. Trade Receivables

	The Group			
	As at 31 December			As at 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	386	—	215	4,961
31-60 days	258	—	429	—
61-90 days	426	—	107	—
Over 90 days	4,743	1,986	503	2,396
Trade receivables	5,813	1,986	1,254	7,357
Less: Impairment loss recognised in respect of trade receivables	(1,084)	(1,050)	(9)	—
	4,729	936	1,245	7,357

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

	The Group			
	As at 31 December			As at 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	386	—	213	4,961
31-60 days	258	—	424	—
61-90 days	426	—	106	—
Over 90 days	3,659	936	502	2,396
	4,729	936	1,245	7,357

The Group allows an average credit period of 90 days to its customers.

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

	The Group			
	As at 31 December			As at 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	—	—	—	—
31-60 days	—	—	—	—
61-90 days	—	—	—	—
Over 90 days	3,659	936	502	2,396
	3,659	936	502	2,396

As at 31 December 2005, 2006 and 2007 and September 2008, trade receivables of approximately HK$3,659,000, HK$936,000, HK$502,000 and HK$2,396,000 were past due but not impaired. The Group is in negotiation with those customers for settlement of these debts. The directors of the Company 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:

	The Group			
	As at 31 December			**As at 30 September**
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	—	—	2	—
31-60 days	—	—	5	—
61-90 days	—	—	1	—
Over 90 days	1,084	1,050	1	—
	1,084	1,050	9	—

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

23. Deposits, Prepayments and Other Receivables

	The Group				**The Company**			
	As at 31 December 2005	**As at 31 December 2006**	**As at 31 December 2007**	**As at 30 September 2008**	**As at 31 31 December 2005**	**As at 31 December 2006**	**As at 31 December 2007**	**As at 30 September 2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	41,734	9,356	2,529	841	—	1,801	1,350	—
Prepayments	1,195	1,842	25,207	21,061	—	—	550	—
Other receivables	13,851	8,187	4,094	1,110	—	—	350	—
	56,780	19,385	31,830	23,012	—	1,801	2,250	—
Less: Impairment loss on provision of bad and doubtful debt	(1,390)	—	—	—	—	—	—	—
Impairment loss recognised in respect of prepayments	(1,188)	(131)	—	—	—	—	—	—
	54,202	19,254	31,830	23,012	—	1,801	2,250	—

The carrying amounts of the deposits, prepayments and other receivables approximate to their fair values.

24. Financial Assets at Fair Value Through Profit or Loss

	The Group			
	As at 31 December			As at 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities				
— listed in Hong Kong, at market value	30,567	28,100	—	—

During the Relevant Periods, the net gain/(loss) from fair value changes of financial assets at fair value through profit or loss is as follows:

	The Group			
	As at 31 December			As at 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unrealised	—	5,360	—	—
Realised	(2,045)	1,768	7,722	—
Total net gain/(loss) from fair value changes of financial assets at fair value through profit or loss	(2,045)	7,128	7,722	—

25. Tax Prepayments

	The Group			
	As at 31 December			As at 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax reserve certificates	3,055	3,055	3,055	—
Tax paid in advance	1,091	4,665	9,065	—
	4,146	7,720	12,120	—

Tax reserve certificates bear interest rate at 2.73% to 2.80%, 2.60% to 2.85% and 2.33% to 2.68% per annum for the years ended 31 December 2005, 2006 and 2007 respectively.

26. Cash and Cash Equivalents

	The Group				The Company			
	As at 31 December 2005	As at 31 December 2006	As at 31 December 2007	As at 30 September 2008	As at 31 December 2005	As at 31 December 2006	As at 31 December 2007	As at 30 September 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deposits with banks and other financial institutions	132,250	52,097	463,391	405	132,250	52,097	463,391	—
Cash at bank and in hand	5,723	11,043	68,005	104,148	4,420	3,765	26,147	638
Cash and bank balance	137,973	63,140	531,396	104,553	136,670	55,862	489,538	638

The effective interest rates of deposits in banks and other financial institutions were 3.5% to 3.9%, 3% to 4.8%, 2.2% to 4.3% and 0.5% to 3.5% for the years ended 31 December 2005, 2006, 2007 and the nine months ended 30 September 2008 respectively.

At 31 December 2005, 2006, 2007 and 30 September 2008, cash and cash equivalents of approximately HK$Nil, HK$5,798,000, HK$39,133,000 and HK$100,674,000 are denominated in Renminbi respectively. Renminbi is not freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

27. Share Capital

The Group and the Company

	Number of shares				Nominal value			
	As at 31 December 2005	As at 31 December 2006	As at 31 December 2007	As at 30 September 2008	As at 31 December 2005	As at 31 December 2006	As at 31 December 2007	As at 30 September 2008
	'000	*'000*	*'000*	*'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Ordinary share of HK$0.01 each (2007: HK$0.1 each; 2006 and 2005: HK$0.01 each)								
Authorised:								
At the beginning of the year/period	20,000,000	20,000,000	20,000,000	6,000,000	200,000	200,000	200,000	600,000
Share consolidation	—	—	(18,000,000)	—	—	—	—	—
Increase in authorised share capital	—	—	4,000,000	—	—	—	400,000	—
Capital reorganization								
— share consolidation	—	—	—	(5,400,000)	—	—	—	—
— capital reduction	—	—	—	—	—	—	—	(594,000)
At the end of the year/period	20,000,000	20,000,000	6,000,000	600,000	200,000	200,000	600,000	6,000
Issued and fully paid:								
At the beginning of the year/period	475,200	5,154,018	6,484,340	1,951,860	47,520	51,540	64,843	195,186
Share subdivision	4,276,800	—	—	—	—	—	—	—
Issuance of new shares								
— 2005	402,018	—	—	—	4,020	—	—	—
— 2006	—	1,330,322	—	—	—	13,303	—	—
— 2007	—	—	2,438,200	—	—	—	127,103	—
Share consolidation	—	—	(7,294,680)	—	—	—	—	—
Exercise of share options								
— 2007	—	—	324,000	—	—	—	3,240	—
— 2008	—	—	—	10	—	—	—	1
Capital reorganization								
— share consolidation	—	—	—	(1,756,674)	—	—	—	—
— capital reduction	—	—	—	—	—	—	—	(193,235)
At the end of the year/period	5,154,018	6,484,340	1,951,860	195,196	51,540	64,843	195,186	1,952

Notes:

For the year ended 31 December 2005

(a) Share subdivision: At the general meeting of the Company held on 14 January 2005, resolutions were passed to approve, among other things, the share subdivision on the basis of one share of HK$0.10 in the issued and unissued share capital of the Company be subdivided into 10 subdivided shares of HK$0.01 each in the issued and unissued share capital of the Company. The share subdivision became effective on 17 January 2005.

(b) Issuance of new shares: On 12 September 2005, 400,000,000 new shares of HK$0.01 each were allotted and issued at a price of HK$0.34 per share pursuant to a placing and subscription agreement dated 7 September 2005. The net proceeds of approximately HK$131,179,000 were intended to be used for investment in other relevant business opportunities that may arise in the future and for general working of the Group. An amount of approximately HK$132,000,000 has been recognised as share premium during the year ended 31 December 2005.

For the year ended 31 December 2006

(a) Issuance of new shares: On 21 June 2006, 1,330,321,745 new shares of HK$0.01 each were allotted and issued to Northbay at a price of HK$0.20 per share to settle the consideration of HK$266,064,350 in respect of the acquisition of 100% of the issued share capital of Shinhan-Golden and the debts owed by Shinhan-Golden to Northbay. An amount of approximately HK$252,761,000 has been recognised as share premium during the year ended 31 December 2006.

For the year ended 31 December 2007

(a) Share consolidation: At the general meeting of the Company held on 18 May 2007, a resolution was passed to approve, among other things, the share consolidation on the basis of ever ten shares of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one share of HK$0.10 each in the issued and unissued share capital of the Company. The share consolidation became effective on 21 May 2007.

(b) Increase in authorised share capital: At the general meeting of the Company held on 11 December 2007, a resolution was passed to approve the increase authorised share capital of the Company from HK$200,000,000 divided into 2,000,000,000 shares of HK$0.10 each to HK$600,000,000 divided into 6,000,000,000 shares of HK$0.10 each by the creation of 4,000,000,000 new shares of HK$0.10 each.

(c) Issuance of new share:

(i) On 30 March 2007, 1,296,860,000 new shares of HK$0.01 each were allotted and issued to Classical Statute Limited, a substantial shareholder of the Company, at a price of HK$0.04 per share pursuant to the placing and subscription agreements dated 19 March 2007. The net proceeds of approximately HK$50,500,000 were intended to be used to financing possible diversified investment of the Group and general working capital of the Group.

(ii) On 31 May 2007, 155,620,000 new share of HK$0.10 each were allotted and issued at a price of HK$0.55 per share. The net proceeds of approximately HK$83,300,000 were intended to be used for investment in other relevant business opportunities that may arise in the future and for general working capital of the Group.

(iii) On 11 July 2007, 162,100,000 new shares of HK$0.10 each were allotted and issued at a price of HK$0.50 per share by way of placing of new shares under general mandate. The net proceeds of HK$78,900,000 were intended to be used for expansion of the Group's property investment business.

(iv) On 7 August 2007, 173,000,000 new shares of HK$0.10 each were allotted and issued at a price of HK$0.83 per share by way of top-up placing. The net proceeds of HK$139,800,000 were intended to be used for expansion of the Group's property investment business.

(v) On 18 December 2007, 650,619,987 new shares of HK$0.10 each were issued at a price of HK$0.30 per share by way of open offer to the qualifying shareholders on the basis of one offer share for every two existing shares. The net proceeds of HK$189,000,000 were intended to be used for the proposed acquisition of 100% equity interest in Modern Vision (Asia) Limited as disclosed in the Company's announcement dated 23 July 2007 and circular dated 5 November 2007 and general working capital of the Group.

(d) Exercise of share options: On 18 May 2007, the Company allotted and issued 324,000,000 new shares of HK$0.01 each pursuant to the exercise of share options granted to the Group's employees and consultants. The exercise price was HK$0.047 per share.

For the nine months period ended 30 September 2008

(a) Exercise of share options: On 8 April 2008, 10,009 ordinary shares of HK$0.10 each were issued upon exercise of share options.

(b) Capital reorganization: On 30 April 2008, the shareholders approved the following changes to the capital of the Company ("Capital Reorganisation").

(i) share consolidation: that every ten issued and unissued existing ordinary shares of HK$0.10 each in the share capital of the Company be consolidated into one ordinary share of HK$1.00 each ("Consolidated Shares") in the share capital of the Company;

(ii) capital reduction: that the issued Consolidated Shares be reduced by cancelling the paid-up capital thereof to the extend of HK$0.99 of each issued Consolidated Shares and reducing the nominal value of all the Consolidated Share comprising the authorised share capital of the Company from HK$1.00 each to HK$0.01 each; and

(iii) share premium cancellation: that the entire amount of HK$813,058,000 standing to the credit of the share premium account of the Company as at 31 December 2007 be cancelled and such credit amount arising from the share premium cancellation be applied to the contributed surplus account of the Company where it will be utilised by the Board in accordance with bye-laws of the Company and all applicable laws, including to eliminate the accumulated losses of the Company of HK$518,374,000 as at 31 December 2006 entirely.

The Capital Reorganisation took effect on 2 May 2008.

28. Reserves

The Company

	Share Premium	Contributed surplus	Share-based payment reserve	Convertible notes reserve	Accumulated losses	Total
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*
As at 1 January 2005	—	163,456	—	—	(150,603)	12,853
Issue of new shares	132,706	—	—	—	—	132,706
Share issue expenses	(4,841)	—	—	—	—	(4,841)
Net loss for the year	—	—	—	—	(93,239)	(93,239)
As at 31 December 2005 and 1 January 2006	127,865	163,456	—	—	(243,842)	47,479
Issue of new shares	252,761	—	—	—	—	252,761
Net loss for the year	—	—	—	—	(274,532)	(274,532)
As at 31 December 2006 and 1 January 2007	380,626	163,456	—	—	(518,374)	25,708
Issue of new shares	416,604	—	—	—	—	416,604
Share-based payment expenses	—	—	32,282	—	—	32,282
Exercise of share option	15,828	—	(3,840)	—	—	11,988
Net loss for the year	—	—	—	—	(223,636)	(223,636)
As at 31 December 2007 and 1 January 2008	813,058	163,456	28,442	—	(742,010)	262,946
Capital reorganistion *(note 27)*						
— capital reduction	—	193,235	—	—	—	193,235
— share premium cancellation	(813,058)	813,058	—	—	—	—
— set-off accumulated losses against contributed surplus	—	(518,374)	—	—	518,374	—
Share-based payment expenses	—	—	3,608	—	—	3,608
Issuance of convertible notes	—	—	—	34,692	—	34,692
Net loss for the period	—	—	—	—	(7,811)	(7,811)
At 30 September 2008	—	651,375	32,050	34,692	(231,447)	486,670

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganization and the nominal amount of the Company's share capital issued as consideration for the acquisition as well as the net amount transferred from share premium account and to accumulated losses pursuant to a special resolution passed at the special general meeting held on 22 August 2003.

29. Trade Payables

The following is an aged analysis of fair value of the trade payables at the balance sheet dates:

	The Group			
	As at 31 December			As at 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
China Star Entertainment Limited and its subsidiaries ("China Star Group"):				
0-30 days	3	—	—	—
31-60 days	—	—	—	—
61-90 days	—	—	—	—
Over 90 days	15	—	—	—
	18	—	—	—

	The Group			
	As at 31 December			As at 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Others:				
0-30 days	—	—	—	—
31-60 days	—	—	—	—
61-90 days	—	—	—	—
Over 90 days	1,696	—	—	—
	1,696	—	—	—
Total	1,714	—	—	—

China Star Entertainment Limited ("China Star") is a substantial shareholder of the Company.

30. Accruals and Other Payables

	The Group				The Company			
	As at 31 December 2005	As at 31 December 2006	As at 31 December 2007	As at 30 September 2008	As at 31 December 2005	As at 31 December 2006	As at 31 December 2007	As at 30 September 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	1,971	2,965	5,646	5,517	1,118	233	943	732
Other payables	5,648	11,203	6,769	37,231	—	—	—	600
Tax payables	—	6,040	6,830	8,106	—	—	—	—
	7,619	20,208	19,245	50,854	1,118	233	943	1,332

The tax payables represented provision for land appreciation tax on certain units of apartments sold by Beijing Jianguo prior to 2003 (note 21 to Financial Information). 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.

31. Receipts in Advance

	The Group			
	As at 31 December			As at 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade deposits received	483	483	484	485
Receipts in advance	—	60,415	46,557	48,666
	483	60,898	47,041	49,151

The 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 21 to the Financial Information. Since the transfer of legal titles of these units of apartments have not yet been completed at the date of this report, no revenue could be recognised for the Relevant Period and the total amount was recorded as receipts in advance.

32. Amounts due to Related Companies

	The Group				The Company			
	As at 31 December 2005	As at 31 December 2006	As at 31 December 2007	As at 30 September 2008	As at 31 December 2005	As at 31 December 2006	As at 31 December 2007	As at 30 September 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
China Star	33,800	—	—	—	33,800	—	—	—
China Star's subsidiaries	1,032	606	701	660	—	—	—	—
	34,832	606	701	660	33,800	—	—	—

The amount due to China Star was unsecured, interest bearing at 1% per annum and matured on 19 April 2006.

The amounts due to China Star's subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

33. Secured Bank Loans

	The Group			
	As at 31 December			As at 30 September
	2005	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans	—	357,427	329,018	320,279
The maturity of the above borrowings is as follows:				
Within one year	—	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
Over five years	—	—	—	—
	—	357,427	329,018	320,279
Less: Amount due within one year shown under current liabilities	—	(5,470)	(27,533)	(23,246)
Amount due after one year	—	351,957	301,485	297,033

The secured bank loans bear interest at rates ranging from 6.16% to 6.41%, 6.16% to 7.35% and 7.18% to 7.35% as at 31 December 2006 and 2007 and 30 September 2008 respectively.

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

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

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

34. Convertible Notes

On 29 August 2008, the Group issued two convertible notes to Well Will Investment Limited of HK$72,000,000 ("Convertible Bond I") and HK$72,000,000 ("Convertible Bond II"). The Convertible Bond I and Convertible Bond II bear interest at the rate of 5% per annum. The Convertible Bond I and Convertible Bond II carried the right to convert the principal amount of the Convertible Bond I and Convertible Bond II into shares of HK$0.1 each in the share capital of the Company at a conversion price of HK$1.60 per share. The effective interest rate of the liability component is 9.75% per annum.

The movement of the liability component of the convertible notes during the Relevant Periods is set out below:

	The Group and the Company			
	As at 31 December			As at 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liability component at beginning of the year/period	—	—	—	—
Proceeds of issue	—	—	—	144,000
Equity component	—	—	—	(41,547)
Liability component at date of issue	—	—	—	102,453
Imputed interest expense for the year/period	—	—	—	232
Liability component at end of the year/period	—	—	—	102,685

35. **Deferred Taxation**

The followings are the major deferred tax liabilities and assets recognised by the Group and the Company and their movements thereon:

The Group

	Accelerated tax depreciation *HK$'000*	Estimated tax losses *HK$'000*	Revaluation of investment properties *HK$'000*	Convertible notes *HK$'000*	Intangible assets *HK$'000*	Total *HK$'000*
As at 1 January 2005	427	(427)	—	—	—	—
Charge to consolidated income statement	(173)	173	—	—	—	—
As at 31 December 2005 and 1 January 2006	254	(254)	—	—	—	—
Acquisition of subsidiaries *(note 36)*	—	—	54,488	—	—	54,488
Exchange alignment	—	—	1,634	—	—	1,634
Charge to consolidated income statement	—	—	195	—	—	195
As at 31 December 2006 and 1 January 2007	254	(254)	56,317	—	—	56,317
Exchange alignment	—	—	4,029	—	—	4,029
Charge to consolidated income statement	—	—	13,156	—	—	13,156
As at 31 December 2007 and 1 January 2008	254	(254)	73,502	—	—	73,502
Acquisition of a subsidiary *(note 36)*	—	—	—	—	54,823	54,823
Exchange alignment	—	—	3,649	—	—	3,649
Issue of convertible notes	—	—	—	6,855	—	6,855
Credit to consolidated income statement	—	—	(20,026)	—	—	(20,026)
As at 30 September 2008	254	(254)	57,125	6,855	54,823	118,803

The Company

	Convertible notes *HK$'000*	Total *HK$'000*
As at 1 January 2005, 31 December 2005, 31 December 2006 and 31 December 2007	—	—
Issue of convertible notes	6,855	6,855
As at 30 September 2008	6,855	6,855

The Group

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the Group had unused estimated tax losses of approximately HK$50,935,000, HK$80,960,000, HK$21,112,000 and HK$222,179,000 respectively available for offset against future profits. A deferred tax asset of approximately HK$254,000 has been recognised. No deferred tax asset has been recognised in respect of the remaining balance of approximately HK$8,666,000, HK$14,422,000, HK$6,778,000 and HK$36,660,000 as at 31 December 2005, 2006 and 2007 and 30 September 2008 respectively due to the unpredictability of future profit streams.

36. Acquisition of Subsidiaries

(a) On 21 June 2006, the Group acquired the entire issued share capital of Shinan-Golden and the debts owed by Shinan-Golden to Northbay for a consideration of approximately HK$266,064,000. The consideration was settled by the issue of 1,330,322,745 ordinary shares of HK$0.01 each in the share capital of the Company, which were allotted, issued and credited as fully paid at a price of HK$0.20 per share. The aggregate amount of goodwill arising as a result of the acquisition was approximately HK$77,284,000.

The fair value of net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value** *HK$'000*
Property, plant and equipment	480	—	480
Investment properties *(note i)*	483,802	158,180	641,982
Trade receivables	12	—	12
Inventories	43,839	—	43,839
Prepayments, deposits and other receivables	171	—	171
Cash and bank balances	415	—	415
Accruals and other payables	(54,126)	—	(54,126)
Receipts in advance	(59,080)	—	(59,080)
Bank loan, secured	(346,484)	—	(346,484)
Minority interest	(3,896)	—	(3,896)
Deferred taxation	—	(54,488)	(54,488)
Net assets acquired	65,133	103,692	168,825
Goodwill			77,284
			246,109
Special reserve *(note ii)*			19,955
			266,064
Fair value of purchase consideration settled by issuance of new shares *(note iii)*			246,109
Net cash flow from acquisition of a subsidiary:			
Cash paid			—
Cash and bank balances acquired			415
			415

Notes:

(i) The fair value of the investment properties was determined based on the valuation performed by DTZ Debenham Tie Leung Limited, an independent firm of qualified valuers and not connected with the Group, as at the acquisition date.

(ii) The difference between the fair value and the contracted value of consideration paid in respect of the acquisition of the acquired subsidiary.

(iii) The fair value of the consideration shares was determined based on the quoted closing price of the Company's share of HK$0.185 at the date of acquisition and 1,330,322,745 consideration shares.

Details of the acquisition were disclosed in the Company's circular dated 19 May 2006.

If the acquisition had been completed on 1 January 2006, total group turnover for the year 2006 would have been HK$19,803,000, and loss for the year 2006 would have been HK$21,867,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

(b) On 29 August 2008, the Group acquired the entire issued share capital of Rich Daily Group Limited ("Rich Daily") at a total consideration of approximately HK$504,000,000, which were was satisfied by HK$360,000,000 in cash, HK$144,000,000 by the issue of convertible notes. The aggregate amount of goodwill arising as a result of the acquisition was approximately HK$101,965,000.

Rich Daily entered into a services agreement with Ocho Sociedde Unipessoal Limitada ("Ocho"), a Macau company engaged in the gaming promotion business, to receive 0.03% of the rolling turnover generated.

The fair value of net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Intangible assets *(note i)*	—	456,857	456,857
Cash and bank balances	1	—	1
Deferred taxation	—	(54,823)	(54,823)
Net assets acquired	1	402,034	402,035
Goodwill			101,965
			504,000
Fair value of purchase consideration settled by:			
Cash			360,000
Issuance of convertible notes *(note ii)*			144,000
			504,000
Net cash flow from acquisition of a subsidiary:			
Cash paid			(360,000)
Cash and bank balances acquired			1
			(359,999)

Notes:

(i) The fair value of the intangible asset was determined based on the valuation performed by Grant Sherman Apprisal Limited, an independent firm of professional valuers and not connected with the Group, as at the acquisition date.

(ii) The fair value of the convertible notes issued was determined based on the valuation performed by Grant Sherman Apprisal Limited, an independent firm of professional valuers and not connected with the Group, as at the acquisition date.

Details of the acquisition were disclosed in the Company's circular dated 30 May 2008.

During the nine months ended 30 September 2008, Rich Daily contributed profit of approximately HK$4,742,000 to the Group since the acquisition. If the acquisition had been completed on 1 January 2008, total group turnover for the nine months ended 30 September 2008 would have been HK$4,742,000, and profit for the nine months ended 30 September 2008 would have been HK$4,173,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

37. Commitments

(a) Lease commitments

As lessee

As at the balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

The Group

	As at 31 December			As at 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	539	1,332	1,856	685
In the second to fifth year inclusive	38	1,646	341	—
	577	2,978	2,197	685

Operating lease payments represented rentals payable by the Group for its office premises. Leases are mainly negotiated for an average term of two years and rentals are fixed for an average of two years.

As lessor

As at the balance sheet dates, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of the Group's investment properties, which fall due as follows:

The Group

	As at 31 December			As at 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	—	2,700	—	2,453

(b) Other commitments

(i) At the balance sheet dates, the Group had other commitments contracted but not provided for in the financial statements:

The Group

	As at 31 December			As at 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Acquisition of a 100% interest in the issued share capital of Exceptional Gain Profits Limited and a sale loan	—	—	447,000	—
Acquisition of a 3.33% interest in the registered share capital of Beijing Jianguo	—	—	4,538	—
Renovation work in respect of the Group's investment properties	—	63,739	28,750	16,711

(ii) Pursuant to the undertaking letters issued by the owners of 上海昇平文化發展有限公司 during the year ended 31 December 2003, they will transfer their ownership in the registered capital of 上海昇平文化發展有限公司 to the Group at a price to be determined by the valuers in the PRC when the laws in the PRC allow foreign investors to own more than 51% in the registered capital of 上海昇平文化發展有限公司.

(iii) Pursuant to a facility agreement dated 11 May 2007 entered into between Rich Joy Investments Limited, a wholly-owned subsidiary of the Company, and Best Season Holdings Corp. ("Best Season"), a 75% owned subsidiary of the Group, Rich Joy Investments Limited has agreed to grant Best Season a revolving facility of up to HK$200,000,000 for the purpose of its business and working capital requirements. At the balance sheet date, Best Season had not drawn down the facility.

38. Contingencies

Save as disclosed in note 40 to the Financial Information, the Group has no material contingent liabilities at as at the balance sheet dates.

39. Banking Facilities

The Group's secured bank loans of approximately HK$Nil, 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 were secured by:

(a) Legal charges over certain of the Group's investment properties with the fair values of approximately HK$Nil, 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.

(b) Legal charges over the 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 and 2007 and 30 September 2008 respectively.

(c) Corporate guarantee provided by the Company.

40. Litigations

As at the date of this report, save as disclosed below, neither the Company 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 the Company to be pending or threatened against any member of the 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 non-repayment 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 ay 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. have 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.

41. Share-based Payment Transaction

The Company's share option scheme (the "Option Scheme"), was adopted on 21 January 2002 to replace the share option scheme adopted by the Company on 19 January 2000, and will expire on 20 January 2012. The purpose of the option scheme is to enable the board of directors of the Company to grant share options to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group.

Under the Option Scheme, the board of directors of the Company may grant share options to the following eligible persons:

(i) any director or proposed director, employee or proposed employee of, or any individual for the time being seconded to work for, any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.

(ii) any holder of any securities issued by any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.

(iii) any business or joint venture partner, contractor, agent or representative of,

(a) any person of entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to;

(b) any supplier, producer or licensor of films, television programmes, video features, goods or services to;

(c) any customer, licensee (including any sub-licensee) or distributor of films, television programmes, video features, goods or services of; or

(d) any landlord or tenant (including any subtenant) of,

any member of the Group or any controlling shareholder or a company controlled by a controlling shareholder.

The maximum number of shares which may be issued upon exercise of all share options to be granted by the Company under the Option Scheme and any other share option schemes of the company must not exceed 10% of the Company's shares in issue as at the date of approval of the Option Scheme. Such limit may be refreshed by shareholders in general meeting form time to time. The maximum number of share which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Options Scheme and any other share option schemes of the company must not exceed 30% of the Company's shares in issue from time to time.

The maximum number of shares issued or to be issued upon exercise of share options granted under the Option Scheme and any share option schemes of the Company to any eligible person in any 12 months period shall not exceed 1% of the Company's shares in issue. Any further grant in excess of such limit must be separately approved by shareholders with such eligible person and his associates abstaining form voting.

Any grant of share options to a director, chief executive or substantial shareholder of the Company (or any of their associates) must be approved by independent non-executive directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive directors of the Company (or any of their associates) in excess of 0.1% of the Company's shares in issue and having an aggregate value in excess of HK$5,000,000 in any 12 months period, is required to be approved by shareholders in general meeting in accordance with the Listing Rules.

An offer of the grant of share options must be accepted within 30 days inclusive of the day on which such offer is made, with a payment of HK$1.00 by the grantee to the Company. The exercise period of the share options granted is determinable by the board of directors, but in any event shall not exceed ten years for the date of grant.

The exercise price of share options is determined by the board of directors provided always that it shall be at least the highest of:

(i) the Stock Exchange closing price of the Company's share on the date of grant, which must be a business day; and

(ii) the average Stock Exchange closing price of the Company's share for the five business days immediately preceding the date of grant, provided that the exercise price per share shall in no event be less than the nominal value of the Company's share.

The following table discloses movements of the Company's share options during the Relevant Periods:

Category of eligible person	**Date of grant**	**Exercise period**	**Exercise price per share** *HK$ (Note iv)*	**Outstanding as at 1.1.2005, 31.12.2005, 1.1.2006, 31.12.2006 and 1.1.2007** *(Notes ii and iii)*	**Granted during 2007**	**Exercised during 2007** *(Note iii)*	**Adjustment for the open offer** *(Note iii)*	**Outstanding as at 31.12.2007 and 1.1.2008**	**Granted during 2008** *(Note iii)*	**Exercised during 2008** *(Note iii)*	**Outstanding as at 30.9.2008**
Employees	8.3.2002	8.3.2002 - 7.3.2012	26.150	1,900,000	—	—	(10,674)	1,889,326	—	—	1,889,326
Employees	13.12.2004	13.12.2004 - 12.12.2014	19.510	2,757,000	—	—	(15,489)	2,741,511	—	—	2,741,511
Employees and consultants	22.3.2007	22.3.2007 - 21.3.2017	4.730	—	4,752,000 *(Note ii and iii)*	(3,240,000)	(8,494)	1,503,506	—	—	1,503,506
Employees and consultants	31.5.2007	31.5.2007 - 30.5.2017	7.040	—	7,912,900 *(Note iii)*	—	(44,454)	7,868,446	—	—	7,868,446
Employees and consultants	11.7.2007	11.7.2007 - 10.7.2009	6.340	—	9,853,699 *(Note iii)*	—	(55,358)	9,798,341	—	—	9,798,341
Employees and consultants	20.3.2008	20.3.2008 - 19.3.2010	1.146	—	—	—	—	—	12,744,000	(1,001)	12,742,999
				4,657,000	22,518,599	(3,240,000)	(134,469)	23,801,130	12,744,000	(1,001)	36,544,129
Exercisable at 30 September 2008											36,544,129

Notes:

(i) The exercise period commenced on the date of grant.

(ii) The number of share options has been adjusted for the share consolidation that became effective on 21 May 2007.

(iii) The number of share options has been adjusted for the share consolidation under the Capital Reorganisation that became effective on 2 May 2008.

(iv) The exercise price per share of share options has been adjusted for the capital reduction under the Capital Reorganisation that became effective on 2 May 2008.

(v) The closing price of the Company's share on 17 May 2007 and 8 April 2008, the date on which the share options were exercised, was HK$8.70 and HK$1.06 (before the effective (iv)), per share respectively.

The fair value of the share options granted during the year ended 31 December 2007 and nine months period ended 30 September 2008 was HK$32,282,000 and HK$3,608,000 respectively which has been expensed as share-based payment expenses during the year/period.

The fair values of the share options granted on 22 March 2007 and 31 May 2007 were measured, using Black Scholes model, by BMI Appraisals Limited. The fair values of the share options granted on 11 July 2007 and 20 March 2008 were measured, using a binominal option pricing model, by Grant Sherman Appraisals Limited. The following table lists the inputs to the models used:

	22 March 2007	**31 May 2007**	**11 July 2007**	**20 March 2008**
Option life	10 years	10 years	2 years	2 years
Grant date share price	HK$4.20	HK$7.00	HK$6.30	HK$1.00
Exercise price	HK$4.70	HK$7.00	HK$6.30	HK$1.146
Expected volatility (%)	71.37%	76.53%	85.12%	95.35%
Expected lives of share Options	1 month	3 months	2 years	2 years
Dividend yield (%)	0%	0%	0%	0%
Risk-free interest rate	3.629%	4.017%	4.236%	5.752%

The expected lives of share options are based on the historical data over the past five years and are not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

As at 30 September 2008, the Company had 36,544,129 share options outstanding under the Option Scheme (31 December 2007: 23,801,130; 31 December 2006: 4,657,000; 31 December 2005: 4,657,000), representing 12.19% (31 December 2007: 12.19%; 31 December 2006: 7.18%; 31 December 2005: 9.04%) of the existing issued share capital of the Company.

42. Retirement Benefits Schemes

With effect from 1 December 2000, the Group has set up a defined contribution retirement scheme, the Mandatory Provident Fund Scheme (the "MPF Scheme"), for all the eligible employees of the Group. The Group did not provide retirement benefits for its employees prior to set up of the MPF Scheme.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to maximum of HK$1,000 per employee and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of each employee's monthly salaries up to a maximum of HK$1,000 (the "Mandatory Contribution"). The employees are entitled to 100% of the employer's Mandatory Contribution upon their retirement at the age of 65 years old, death or total incapacity.

43. Material Related Party Transactions

(a) Save as disclosed elsewhere in these consolidated financial statements, the Group had entered into the following material related party transactions with China Star and its subsidiaries during the Relevant Periods:

		The Group				
		For the year ended 31 December			For the nine months ended 30 September	
Name of company	Nature of transaction	2005	2006	2007	2007	2008
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
1. China Star	Salaries	—	(1,118)	(1,300)	(900)	(990)
2. China Star	Interest expenses	(100)	(100)	—	—	—
3. China Star Production Limited	Post-production services expenses	736	(90)	—	—	—
4. China Star	Repayment of loan	—	(33,800)	—	—	—
5. China Star	Amount due by the Group	—	(602)	(700)	—	—
6. China Star Laser Disc Company Limited	Amount due by the Group	—	—	(1)	—	—
7. China Star International Distribution Limited	Amount due by the Group	—	(2)	—	—	—
8. China Star Production Services Limited	Amount due by the Group	—	(2)	—	—	—
9. China Star HK Distribution Limited	Sub-licensing income	—	200	—	—	—
10. China Star	Interest expenses on convertible notes payable	(238)	—	—	—	—
11. China Star	Repayment of convertible notes payable	(33,800)	—	—	—	—
12. China Star	Loans received	33,800	—	—	—	—
13. China Star	Sales of leasehold land and buildings	9,000	—	—	—	—
14. China Star	Purchase of distribution rights to films	(3,600)	—	—	—	—
15. China Star	Purchase of films rights	(5,347)	—	—	—	—

For the year ended 31 December 2005

(a) On 5 February 2002, the Group and China Star Group entered into a territory supply agreement whereby China Star Group, during the term of 3 years from 8 April 2002, granted in favour of the Group a first right of refusal to acquire the exclusive distribution rights in respect of each film in the PRC and Monogolia and an option to acquire the theatrical rights. In April 2005, the territory supply agreement expired and China Star Group settled the deposit of HK$5,000,000 with the Group.

During the year ended 31 December 2005, the Group acquired the distribution rights of five films from China Star Group at a total consideration of approximately HK$3,600,000 and the theatrical rights of five films from China Star Group at a total license fee of approximately HK$5,347,000 pursuant to the relevant territory distribution agreements.

(b) During the year ended 31 December 2005, the Group had no interest receivable from the associate as the Group exercised the right under the convertible notes to convert the outstanding principal amount of HK$160,000,000 into shares of the associate.

(c) On 19 April 2005, the convertibles notes of HK$33,800,000 issued by the Group to China Star Group matured. China Star Group did not exercise the right to convert the outstanding principal amount of HK$33,800,000 into shares of the Company and the Company repaid HK$33,800,000 to China Star Group.

(d) On 19 April 2005, China Star granted a one year term loan of HK$33,800,000 to the Company. The loan is unsecured, interest bearing at 1% per annum and repayable on 19 April 2006.

(e) On 7 July 2005, the Group disposed its leasehold land and buildings to China Star Group at a total consideration of HK$9,000,000. The consideration was agreed between the parties based on arms' length negotiations with reference to a property valuation done by an independent firm of professional chartered surveyors appointed by China Star Group.

The board of directors of the Company (including the independent non-executive directors) considered the terms of the disposal to be on normal commercial terms and fair and reasonable and in the interests of the Company's shareholders.

The disposal constitutes a discloseable and connected transaction for the Company under the Chapter 14 of the Listing Rules. Please refer to the Company's announcement dated 7 July 2005 and circular dated 29 July 2005 for details.

For the year ended 31 December 2006

(i) During the year ended 31 December 2006, the Group sold four film rights to China Star Group.

(ii) During the year ended 31 December 2006, the Company repaid the one year term loan of HK$33,800,000 to China Star.

For the year ended 31 December 2007

(a) The Group entered into a conditional sale and purchase agreement with China Star on 1 August 2007 pursuant to which the Group would acquire a 100% interest in the issued share capital of Exceptional Gain Profits Limited, a wholly-owned subsidiary of China Star, and a sale loan at a consideration of HK$447,000,000. The consideration shall be satisfied by the issue of a convertible note by the Company. Exceptional Gain Profits Limited is an investment holding vehicle, which indirectly holds a 50% interest in Kingsway Hotel Limited. The consideration was determined after arm's length commercial negotiations and with reference to an independent property valuation conducted by DTZ Debenham Tie Leung Limited on an open market basis valuing Kingsway Hotel at approximately HK$894,000,000 at 31 July 2007. The transaction was approved by the independent shareholders at the special general meeting of the Company held on 31 December 2007. On 31 December 2007, the Group and China Star entered into a deed of variation pursuant to which the parties mutually agreed to extend the long stop date in the conditional sale and purchase agreement from 31 December 2007 to 28 February 2008.

(b) During the year, the Group entered in to the following material related party transactions with Ms. Chen Ming Yin, Tiffany, a director of the Company:

I. On 19 July 2007, the Group entered into a conditional sale and purchase agreement with Ms. Chen Ming Yin, Tiffany pursuant to which the Group would acquire a 100% interest in the issued share capital of Modern Vision (Asia) Limited at a consideration of HK$684,000,000 (subject to adjustment). The major asset of Modern Vision (Asia) Limited is its indirect 50% interest in a lot of land with the area of 4,669 square meters located in the Nam Van Lakes Zone, Macau. The consideration was determined between the Group and Ms. Chen Ming Yin, Tiffany on a "willing buyer – willing seller" basis. The transaction was not approved by the independent shareholders at a special general meeting of the Company held on 21 November 2007.

II. On 5 November 2007, Ms. Chen Ming Yin, Tiffany granted an unsecured and interest-free loan of HK$45,000,000 to the Company. The Company repaid the loan on 27 November 2007.

(b) ***Compensation of key management personnel***

Remuneration for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in notes 11 and 12 to the Financial Information, is as follows:

	The Group				
	For the year ended 31 December			For the nine months ended 30 September	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries	3,276	3,954	3,875	2,655	2,835
Contribution to retirement benefits scheme	36	24	24	24	18
Share-based payment expenses	—	—	4,345	4,345	349
	3,312	3,978	8,244	7,024	3,202

44. Pledge of Assets

During the Relevant Periods, the Group has pledged its investment properties with fair values of HK$Nil, HK$678,000,000, HK$852,081,000 and HK$856,170,000 and its bank deposits of approximately HK$Nil, HK$Nil, HK$16,832,000 and HK$28,679,000 as at 31 December 2005, 2006, 2007 and 30 September 2008 respectively which were held by Beijing Shama to secure the bank loans amounted to HK$Nil, HK$357,427,000, HK$329,018,000 and HK$320,279,000 respectively.

45. Financial Risk Management

(a) ***Financial risk factors***

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

(i) *Equity price risk*

The Group is exposed to equity price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group's exposure equity price risk is mainly concentrated on equity securities quoted in The Stock Exchange of Hong Kong Limited. The Group has limited exposure to equity price risk since the investment securities held as at balance date is not significant. As at 31 December 2005, 2006 and 2007 and 30 September 2008, the Group held financial assets at fair value through profit or loss amounted to HK$30,567,000, HK$28,100,000, HK$Nil and HK$Nil respectively. The Group is not exposed to commodity price risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. If equity prices had been 5% higher/ lower, net profit for the year ended 31 December 2005, 2006 and 2007 and for the nine months ended 30 September 2008 will be increase/decrease by HK$1,069,000, HK$761,000, HK$Nil and HK$Nil respectively as a result of the changes in fair value of financial assets at fair value through profit or loss. The Group's sensitivity to equity prices has not changed significantly from previous years.

(ii) *Foreign currency risk*

The Group operates in Hong Kong, the PRC and Macau and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to Macau Pataca and Renminbi. The Group does not hedge foreign currency translation risk because translation gains or losses do not affect the project company's cash flow or the Group's annual profit.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in Renminbi Rate	**Increase/ (decrease) in profit/(loss) before tax**
	%	*HK$'000*
As at 31 December 2005		
If Renminbi weakens against Hong Kong dollar	5	4
If Renminbi strengthens against Hong Kong dollar	(5)	(4)
As at 31 December 2006		
If Renminbi weakens against Hong Kong dollar	5	290
If Renminbi strengthens against Hong Kong dollar	(5)	(290)
As at 31 December 2007		
If Renminbi weakens against Hong Kong dollar	5	1,957
If Renminbi strengthens against Hong Kong dollar	(5)	(1,957)
As at 30 September 2008		
If Renminbi weakens against Hong Kong dollar	5	5,034
If Renminbi strengthens against Hong Kong dollar	(5)	(5,034)

(iii) *Credit risk*

The Group has no significant concentrations of credit risk. It has policies in place to ensure that distribution of films and sub-licensing of film rights to customers with an appropriate credit history. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the each financial asset, including trade and other receivables, as reported on the balance sheet.

(iv) *Liquidity risk*

The Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due. The 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 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 Group can be required to pay. The tables include both interest and principal cash flows.

As at 31 December 2005	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	7,619	—	—	—	—	7,619
Receipts in advance	483	—	—	—	—	483
	8,102	—	—	—	—	8,102

As at 31 December 2006	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	20,208	—	—	—	—	20,208
Receipts in advance	60,898	—	—	—	—	60,898
Secured bank loans	—	—	5,470	351,957	—	357,427
	81,106	—	5,470	351,957	—	438,533

As at 31 December 2007	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	19,245	—	—	—	—	19,245
Receipts in advance	47,041	—	—	—	—	47,041
Secured bank loans	738	10,718	16,077	301,485	—	329,018
	67,024	10,718	16,077	301,485	—	395,304

As at 30 September 2008	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	50,854	—	—	—	—	50,854
Receipts in advance	49,151	—	—	—	—	49,151
Secured bank loans	—	510	22,736	297,033	—	320,279
	100,005	510	22,736	297,033	—	420,284

(v) *Cash flow and fair value interest rate risk*

The Group's cash flow interest-rate risk arises from bank borrowings. The Group's fair value interest-rate risk mainly arises from fixed-rate short-term bank deposits. The Group currently does not have an interest-rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest-rate exposure should need arises.

Sensitivity analysis

The sensitivity analysis below presents the effects on the Group's post-tax profit for the year (as a result of change in interest expense on floating rate borrowings). For floating-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The sensitivity to interest rate used is considered reasonable given the market forecasts available at the balance sheet date and under the economic environments in which the Group operates, with all other variables held constant.

		At 31 December		At 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars				
If interest rates were 2% higher				
Post-tax profit for the year	—	(431)	(527)	(788)
If interest rates were 2% lower				
Post-tax profit for the year	—	431	527	788

(b) *Fair value estimation*

The carrying amounts of the Group's financial assets, including cash and bank balances, trade receivables, deposits, prepayments and other receivables, and financial liabilities, including other payables, accruals and amounts due to related companies, 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 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 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 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 Group's capital management is to safeguard the 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 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 Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or raise and repay debts. The Group's capital management objectives, policies or processes were unchanged during the Relevant Periods. The Company monitors capital using gearing ratio, which is the Group's total borrowings over equity attributable to equity holders of the Company. The gearing ratios as at 31 December 2005, 2006 and 2007 and 30 September 2008 were as follows:

		As at 31 December		As at 30 September
	2005	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to related companies	34,832	606	701	660
Convertible notes	—	—	—	102,685
Secured bank loans	—	357,427	329,018	320,279
Total borrowings	34,832	358,033	329,719	423,624
Equity attributable to the equity holders of the Company	167,610	399,636	1,046,080	911,126
Gearing ratio	20.8%	89.6%	31.5%	46.5%

46. Subsequent Events

(a) On 26 November 2008, the Group entered into a sale and purchase agreement with Mega Shell Services Limited in relation to disposals of the entire share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and World East Investments Limited ("World East") and loans held by the Company at a consideration of approximately HK$211,466,310 which shall be satisfied by cash, shares of Golife Concepts Holdings Limited ("Golife"), convertible notes and promissory note to be issued by Golife. Details of which were set out in the Company's announcement dated 10 December 2008.

(b) On 23 December 2008, the Group entered into a termination agreement in relation to the acquisition of a 100% interest in the issued share capital of Exceptional Gain Profits Limited and a sale loan (the "Acquisition") and an announcement of the Group dated 31 December 2007 and further announcements dated 28 February 2008, 31 March 2008, 29 May 2008, 31 July 2008 and 31 October 2008 in relation to the extension of the long stop date. Upon the signing of the termination agreement, none of the parties to the S&P agreement has any liability towards the other parities under the S&P agreement.

(c) On 29 December 2008, the Company entered into a top-up placing agreement with Classical Statue Limited ("Classical Statue"). Classical Statue has agreed to place, through the placing agent on a fully underwritten basis 39,000,000 placing shares to independent investors at a price of HK$0.102 per placing share. Details of which were set out in the Company's announcement dated 29 December 2008.

The top-up subscription had been completed on 9 January 2009.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiary companies in respect of any period subsequent to 30 September 2008 up to the date of this report. In addition, no dividend or distribution has been declared, made or paid by the Company or any of its subsidiary companies in respect of any period subsequent to 30 September 2008.

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

STATEMENT OF INDEBTEDNESS

As at the close of business of 30 November 2008, being the latest practicable date for the purpose of the statement of indebtedness, the Group had outstanding borrowings and commitments of approximately HK$427,753,000 and HK$211,674,000 respectively, details of which are as follows:

Borrowings

As at 30 November 2008, the Group had outstanding borrowings of approximately HK$427,753,000 which composed of (i) bank borrowing of approximately HK$324,599,000, which were secured by certain of the Property with a fair value of approximately HK$856,170,000; and (ii) liability component of the convertible notes of approximately HK$103,154,000 with principal amount of HK$144,000,000.

Commitments

As at 30 November 2008, the Group had the following material commitments:

(a) capital expenditures of approximately HK$11,674,000 in respect of the renovation works of the Property;

(b) an used revolving facility of up to HK$200,000,000 granted to Best Season Holdings Corp., a 75% owned subsidiary of the Group; and

(c) a commitment in respect of acquiring the registered capital of the CJV Partner from its owners at a price to be determined by the valuers in Mainland China when the laws in Mainland China allow foreign investors to own more than 51% interest in the registered capital of the CJV Partner.

Disclaimer

Saved as disclosed above and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, capital commitments, guarantees or other material contingent liabilities as at the close of business on 30 November 2008.

WORKING CAPITAL

As at the Latest Practicable Date, after taking into account of the available credit facilities and the internal resources of the Group, the Directors were of the opinion that the Group had sufficient working capital for the 12-month period from the date of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 September 2008, being the date to which the latest audited financial statements of the Group were made up.

In arriving at the aforesaid statement, the Directors have performed sufficient due diligence on the Group and anticipated that:

a. there will be no significant change in the fair value of the Property during the period from 1 October 2008 to 31 December 2008 as the Property was valued at RMB796,440,000 (approximately HK$905,393,000) as at 30 September 2008 in the Group's consolidated balance sheet, whereas the fair value of the Property as at 30 November 2008 was RMB800,000,000 (approximately HK$909,440,000) as disclosed in Appendix VII to this circular. Having discussed with the independent qualified professional valuers, the Directors do not anticipate any substantial movements in the fair value of the Property during the month of December 2008; and

b. there will be no significant further impairment loss incurred in respect of goodwill as the goodwill arising from the acquisition of Shinhan-Golden and Rich Daily Group Limited had been fully impaired in the nine months ended 30 September 2008.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

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

23 January 2009

The Directors
China Star Investment Holdings Limited
Room 3408, Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and its subsidiaries (hereinafter collectively referred to as the "Shinhan-Golden Group") set out in Section I, II and III below, for inclusion in the circular of China Star Investment Holdings Limited (the "Company") dated 23 January 2009 (the "Circular") in connection with the proposed disposal of the entire issued share capital of Shinhan-Golden by the Company. The 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 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes.

Shinhan-Golden was incorporated in the People's Republic of China (the "PRC") on 5 November 1996 as a limited company and its principal activity is investment holding. Particulars of its subsidiaries are 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% (direct)	Property investment in the PRC
Beijing Jianguo Real Estate Development Co., Ltd. ("Beijing Jianguo (BVI)")	BVI	Ordinary share of US$1	100% (direct)	Dormant

The Shinhan-Golden Group has adopted 31 December as its financial year end date. No audited financial statements of Shinhan-Golden Group have been prepared since its date of incorporation up to the date of this report because there is no statutory requirement to do so.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Shinhan-Golden based on the unaudited consolidated management accounts of the Shinhan-Golden Group, after making adjustments as are appropriate to conform with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Shinhan-Golden are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

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

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

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Shinhan-Golden and consolidated state of affairs of the Shinhan-Golden Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 and of the consolidated results and cash flows of the Shinhan-Golden Group for the years and period then ended.

COMPARATIVE FINANCIAL INFORMATION

Respective responsibilities of directors and reporting accountants

The directors of Shinhan-Golden are responsible for the preparation of the unaudited financial information of the Shinhan-Golden Group including the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine months ended 30 September 2007 (the "Comparative Unaudited Financial Information"), together with the notes thereto.

For the Comparative Unaudited Financial Information, our responsibility is to express a conclusion on the Comparative Unaudited Financial Information based on our review and to report our conclusion to you. We conducted our review on the Comparative Unaudited Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Unaudited Financial Information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Comparative Unaudited Financial Information does not give a true and fair view of the consolidated results and cashflows of the Shinhan-Golden Group.

I. FINANCIAL INFORMATION

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 loan — 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 loan — 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

II. 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 Intormation 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 cash-generating 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 cash-generating 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 short-term 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*	*HK$'000*
				(Unaudited)	
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*	*HK$'000*
				(Unaudited)	
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*	*HK$'000*
				(Unaudited)	
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*	*HK$'000*
				(Unaudited)	
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* *(Unaudited)*	*HK$'000*
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 Na Sherril 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* *(Unaudited)*	*HK$'000*
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** *(Unaudited)*	**2008**
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 *HK$'000*	Motor vehicle *HK$'000*	Total *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 and 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 and 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
Carrying amount:				
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
北京莎碼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.

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 loan was 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 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. Acquisition 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 non-cancellable 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 the 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 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 non-repayment 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 have 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 pond 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 loan	—	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 loan	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 loan	—	—	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 loan	—	—	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.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Shinhan-Golden Group, Shinhan-Golden or any of the Companies comprising the Shinhan-Golden Group in respect of any period subsequent to 30 September 2008. No dividend has been declared, made or paid by Shinhan-Golden in respect of any period subsequent to 30 September 2008.

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

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

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

23 January 2009

The Directors
China Star Investment Holdings Limited
Room 3408, Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of World East Investments Limited ("World East") and its subsidiary (hereinafter collectively referred to as the "World East Group") set out in Section I, II and III below, for inclusion in the circular of China Star Investment Holdings Limited (the "Company") dated 23 January 2009 (the "Circular") in connection with the proposed disposal of the entire issued share capital of World East by the Company. The 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 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes.

World East was incorporated in the British Virgin Islands on 3 January 2003 as a limited company and its principal activity is investment holding. Particulars of its subsidiary are 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	500,000 ordinary shares of RMB 1	100% (direct)	Distribution of films in the PRC

The World East Group has adopted 31 December as its financial year end date. No audited financial statements of World East Group have been prepared since its date of incorporation up to the date of this report because there is no statutory requirement to do so.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of World East based on the unaudited consolidated management accounts of World East Group, after making adjustments as are appropriate, to conform with Hong Kong Financial Reporting Standards (the "HKFRSs") which also Include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of World East are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

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

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

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of World East and consolidated state of affairs of the World East Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 and of the consolidated results and cash flows of the World East Group for the years and period then ended.

COMPARATIVE FINANCIAL INFORMATION

Respective responsibilities of directors and reporting accountants

The directors of World East are responsible for the preparation of the unaudited financial information of the World East Group including the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine months ended 30 September 2007 (the "Comparative Unaudited Financial Information"), together with the notes thereto.

For the Comparative Unaudited Financial Information, our responsibility is to express a conclusion on the Comparative Unaudited Financial Information based on our review and to report our conclusion to you. We conducted our review on the Comparative Unaudited Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Unaudited Financial Information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Comparative Unaudited Financial Information does not give a true and fair view of the consolidated results and cashflows of the World East Group.

I. FINANCIAL INFORMATION

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
Amount due to an immediate holding company	*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	—	—	—	—	—

II. 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 New 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 these consolidated financial statements 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 subsidiaries 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 cash-generating 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 short-term 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* *(Unaudited)*	*HK$'000*
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* *(Unaudited)*	*HK$'000*
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* *(Unaudited)*	*HK$'000*
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* *(Unaudited)*	*HK$'000*
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 date 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 reliability.

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	500,000 ordinary 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
		At 31 December		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
		At 31 December		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 due to related parties 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.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for World East in respect of any period subsequent to 30 September 2008. No dividend has been declared, made or paid by World East in respect of any period subsequent to 30 September 2008.

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

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

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

23 January 2009

The Directors
China Star Investment Holdings Limited
Room 3408, Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of China Star Investment Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), set out on pages 196 to 206 under the headings of "Unaudited Pro Forma Financial Information of the Remaining Group" (the "Unaudited Pro Forma Financial Information") in Appendix IV of the Company's circular dated 23 January 2009 (the "Circular") in connection with the proposed disposal of the entire issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and World East Investments Limited ("World East"), two wholly owned subsidiaries of the Company (the "Disposal"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Disposal might have affected the relevant financial information presented, for inclusion in Appendix IV of the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 196 to this Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "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 paragraph 4.29(7) of the 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 reports 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 issued.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 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 the 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 paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, it 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 Remaining Group as at 30 September 2008 or any future date, or

— the results and cash flows of the Remaining Group for the year ended 31 December 2007 or any future periods.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

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

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the Disposal.

The following is the unaudited pro forma financial information of the Remaining Group as if the Disposal had taken place on 30 September 2008 for the unaudited pro forma consolidated balance sheet and on 1 January 2007 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement.

The unaudited pro forma financial information of the Remaining Group should be read in conjunctions with the historical financial information of the Group as set out in Appendix I and other financial information included elsewhere in this Circular.

The accompanying unaudited pro forma financial information of the Remaining Group is based on certain assumption, estimates, uncertainties and other currently available financial information, and is provided for illustrative purposes only because of its hypothetical nature, it may not give a true picture of the actual financial position and financial results of the Remaining Group's operations that would have been attained had the Disposal actually occurred on the dates indicated herein. Further, the accompanying unaudited pro forma financial information of the Remaining Group does not purport to predict the Group's future financial position or results of operations.

(i) Unaudited Pro Forma Consolidated Balance Sheet of the Remaining Group

The following is the unaudited pro forma consolidated balance sheet of the Remaining Group, assuming that the Disposal has been completed on 30 September 2008. The unaudited pro forma consolidated balance sheet is based on the consolidated financial statement of the Group as at 30 September 2008 as set out in Appendix I to this Circular. Such information is adjusted to reflect the effect of the Disposal.

As the unaudited pro forma consolidated balance sheet of the Remaining Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Remaining Group as at the date to which it is made up to or at any future date.

	The Group as at 30 September 2008	Pro forma adjustment (Shinhan-Golden) #1	Pro forma adjustment (World East) #2	Pro forma adjustment #3	The Remaining Group as at 30 September 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	22,743	(20,406)	(9)		2,328
Investment properties	905,393	(905,393)			—
Available for sale investment	—		(3,896)	3,896	—
Convertible note receivable	—			45,103	45,103
Conversion option embedded in convertible note receivable	—			35,644	35,644
Promissory note	—			64,253	64,253
Interest in associate	—			23,185	23,185
Intangible assets	456,857				456,857
Club memberships	172				172
	1,385,165				627,542
Current assets					
Inventories	34,771	(34,771)			—
Trade receivables	7,357	(219)			7,138
Deposits, prepayments and other receivables	23,012	(14,777)	(6,631)		1,604
Amount due from the Disposal Group	—	433,433	(10,948)	(46,678)	375,807
Cash and cash equivalents	104,553	(100,674)		5,082	8,961
	169,693				393,510
Total assets	1,554,858				1,021,052

	The Group as at 30 September 2008	Pro forma adjustment (Shinhan-Golden) #1	Pro forma adjustment (World East) #2	Pro forma adjustment #3	The Remaining Group as at 30 September 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY					
Capital and reserve attributable to the company's equity holders					
Share capital	1,952				1,952
Reserves	909,174	(201,323)	(19,949)	126,589	814,491
	911,126				816,443
Minority interest	—	(3,896)		3,896	—
Total equity	911,126				816,443
LIABILITIES					
Current liabilities					
Accruals and other payables	50,854	(11,518)	(1,535)		37,801
Receipts in advance	49,151	(48,666)			485
Amount due to a related company	660				660
Secured bank loan					
— due within one year	23,246	(23,246)			—
Tax payables	1,300				1,300
	125,211				40,246
Non-current liabilities					
Secured bank loans					
— after one year	297,033	(297,033)			—
Deferred taxation	118,803	(57,125)			61,678
Convertible notes	102,685				102,685
	518,521				164,363
Total equity and liabilities	1,554,858				1,021,052
Net current assets	44,482				353,264
Total assets less current liabilities	1,429,697				980,806

Note to the Unaudited Pro Forma Consolidated Balance Sheet

1. The adjustment reflects the effect of the disposal of Shinhan-Golden, which represents a decrease in the net assets of HK$205,219,000 on the Group's consolidated balance sheet as at 30 September 2008, taking into account of:

   (a) Investment properties of HK$905,393,000;
   (b) Property, plant and equipment of HK$20,406,000;
   (c) Inventories of HK$34,771,000;
   (d) Trade receivables of HK$219,000;
   (e) Deposits, prepayments and other receivables of HK$14,777,000;
   (f) Cash and cash equivalents of HK$100,674,000;
   (g) Accruals and other payables of HK$11,518,000;
   (h) Receipts in advance of HK$48,666,000;
   (i) Amount due from the Disposal Group of HK$433,433,000;
   (j) Secured bank loan due within one year of HK$23,246,000;
   (k) Secured bank loan due after one year of HK$297,033,000;
   (l) Deferred taxation of HK$57,125,000; and
   (m) Minority interest of HK$3,896,000.

   This adjustment is not expected to have a continuing effect on the Remaining Group.

2. The adjustment reflects the effect of the disposal of World East, which represents a decrease in the net assets of HK$19,949,000 on the Group's consolidated balance sheet as at 30 September 2008, taking into account of:

   (a) Property, plant and equipment of HK$9,000;
   (b) Available for sale investment of HK$3,896,000;
   (c) Deposits, prepayments and other receivables of HK$6,631,000;
   (d) Accruals and other payables of HK$1,535,000; and
   (e) Amount due to the Disposal Group of HK$10,948,000;

   This adjustment is not expected to have a continuing effect on the Remaining Group.

3. The pro forma adjustment reflects:

   (a) the consideration of HK$173,767,000 which included (i) the consideration for the sale of the entire equity interest in Shinhan-Golden and the loans due to Riche (BVI) Limited ("Riche"); and (ii) the consideration for entire equity interest in World East and the loans due to Riche, after taking consideration of the estimated expenses to be incurred in connection to the Disposals of approximately HK$500,000.

   (b) the effect of the Disposal results in changing the reserves of HK$126,589,000 which represents the elimination of the consideration of the Disposals of HK$173,767,000 (note 4) less the estimated expenses to be incurred in connection to the Disposal of approximately HK$500,000 and the shareholders' loan of HK$46,678,000. This adjustment is not expected to have a continuing effect on the Remaining Group.

4. In accordance with the sale and purchase agreement, the aggregate consideration of the Disposal is HK$211,466,310 satisfied as to: (i) HK$5,581,713 in cash; (ii) HK$5,884,597 by procuring Golife Concepts Holdings Limited ("Golife") to allot and issue 117,691,940 shares of Golife; (iii) HK$100,000,000 by procuring Golife to issue the convertible bond to Riche; and (iv) HK$100,000,000 by procuring Golife to issue promissory note to Riche.

An analysis of the fair value of the total consideration of the Disposal is set out as follows:

	HK$'000
Fair value of Shares *(note a)*	23,185
Fair value of Promissory Note *(note b)*	64,253
Fair value of Convertible Note *(note c)*	80,747
Cash	5,582
	173,767

(a) The value of consideration shares for the Disposal was based on 117,691,940 shares of Golife at HK$0.197 per share as if the Disposal completed on 30 September 2008. However, the fair value of the Consideration Shares issued as consideration for the Disposal so arrived at as aforesaid and used for the purpose of the unaudited pro forma financial information set out above may be substantially different from their fair value at the date of completion. Accordingly, the actual loss on disposal of subsidiaries may be different from that shown on note (3) above.

(b) The Promissory Note with the principal value of HK$100,000,000 is to be issued by Golife as consideration for the Disposal. The Promissory Note is repayable at any time within five years from the date of issue of the Promissory Note at no interest. The promissory note receivable is classified as a financial asset and should be initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method. The fair value of the Promissory Note is determined at HK$64,253,000 at the date of issue using the interest rate of 9.25% per annum, over the entire term of the Promissory Note, i.e. 5 years. The shortfall of HK$35,747,000 of the fair value of HK$64,253,000 below the principal value of HK$100,000,000 will be recognised as an interest income of the Group over a term of 5 years using the effective interest rate method.

(c) The Convertible Note with an aggregate principal amount of HK$100,000,000 to be receivable by the Company as consideration for the Disposal. The convertible note receivable is classified as financial asset at fair value through profit or loss and should be initially measured at fair value, and subsequently measured at fair value. The initial measurement of the estimated fair value of the debt element and the conversion option element of the Convertible Note on 30 September 2008, assuming the Disposal had been completed on 30 September 2008, were approximately HK$45,103,000 and HK$35,644,000 respectively, based on a valuation report issued by Grant Sherman Appraisal Limited, an independent qualified professional valuer.

(ii) Unaudited Pro Forma Consolidated Income Statement of the Remaining Group

The following is the unaudited pro forma consolidated income statement of the Remaining Group, assuming that the Disposal had been completed on 1 January 2007. The unaudited pro forma consolidated income statement is based on the audited financial statements of the Group for the year ended 31 December 2007 as set out in Appendix I to this Circular. Such information is adjusted to reflect the effect of the Disposal.

As the unaudited pro forma consolidated income statement of the Remaining Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Remaining Group after completion of the Disposal for the period ended to which it is made up to or for any future period.

	The Group for the year ended 31 December 2007	Pro forma adjustment (Shinhan-Golden) #1	Pro forma adjustment (World East) #2	Pro forma adjustment #3	The Remaining Group for the year ended 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	10,639	(2,917)			7,722
Cost of sales	(858)	858			—
Gross profit	9,781				7,722
Other revenue	3,205	(172)	(111)	10,611	13,533
Other income	106,956	(106,956)			—
Fair value changes of investment properties	43,853	(43,853)			—
Increase in fair value of conversion option embedded in convertible note receivables	—			60,636	60,636
Share of result of associates	—			(18,780)	(18,780)
Impairment loss recognised in respect of goodwill	(37,828)				(37,828)
Gain on disposal of subsidiaries	—			21,719	21,719
Administrative expenses	(67,623)	11,925	305		(55,393)
Profit/(loss) from operation	58,344				(8,391)
Finance costs	(19,494)	19,494			—
Profit/(loss) before taxation	38,850				(8,391)
Taxation	(13,156)	13,156			—
Profit/(loss) for the year	25,694				(8,391)

(iii) Unaudited Pro Forma Consolidated Cash Flow Statement of the Remaining Group

The following is the unaudited pro forma consolidated cash flow statement of the Remaining Group, assuming that the Disposal had been completed on 1 January 2007. The unaudited pro forma consolidated cash flow statement is based on the audited financial statements of the Group for the year ended 31 December 2007 as set out in Appendix I to this Circular. Such information is adjusted to reflect the effect of the Disposal.

As the unaudited pro forma consolidated cash flow statement of the Remaining Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flow of the Remaining Group after completion of the Disposal for the period ended to which it is made up to or for any future period.

	The Group for the year ended 31 December 2007	Pro forma adjustment (Shinhan-Golden) #4	Pro forma adjustment (World East) #5	Pro forma adjustment #6	The Remaining Group for the year ended 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES					
Profit/(loss) before taxation	38,850	(121,621)	194	74,186	(8,391)
Adjustments for:					
Interest income	(2,990)	139	15	(10,611)	(13,447)
Dividend income	(78)				(78)
Wavier of secured bank loan interest	(106,956)				(106,956)
Increase in fair value of investment properties	(43,853)	43,853			—
Finance costs	19,494	(19,494)			—
Depreciation of property, plant and equipment	1,158	(595)	(1)		562
Impairment loss recognised in respect of goodwill	37,828				37,828
Impairment loss recognised in respect of trade receivables	9				9
Increase in fair value of conversion option embedded in convertible note receivable	—			(60,636)	(60,636)
Share of result of associates	—			18,780	18,780
Loss on disposal of property, plant and equipment	3				3
Gain on disposal of subsidiaries	—			(21,719)	(21,719)
Share-based payment expenses	32,282				32,282
Operating cash flows before movements in working capital	(24,253)				(121,763)

	The Group for the year ended 31 December 2007	Pro forma adjustment (Shinhan-Golden) #4	Pro forma adjustment (World East) #5	Pro forma adjustment #6	The Remaining Group for the year ended 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in inventories	12,371	(12,371)			—
Increase in trade receivables	(318)	849	(543)		(12)
Increase in deposits, prepayments and other receivables	(12,576)	8,312	4,251		(13)
Decrease in accruals and other payables	(963)	3,092	(184)		1,945
Increase in amount due to a related company	95				95
Decrease in amount due from the Disposal Group	—	(145,593)	7,957		(137,636)
Decrease in receipts in advance	(13,857)	13,857			—
Cash used in operations	(39,501)				(257,384)
Tax paid	(4,671)				(4,671)
Net cash used in operating activities	(44,172)				(262,055)
INVESTING ACTIVITIES					
Interest received	2,990	(139)	(15)		2,836
Dividend income	78				78
Proceeds from deposals of property, plant and equipment	220				220
Additions of investment property	(116,960)	116,960			—
Net cashflows from disposal of subsidiaries	—			(500)	(500)
Purchase of property, plant and equipment	(4,908)	4,890	7		(11)
Net cash used in investing activities	(118,580)				2,623

	The Group for the year ended 31 December 2007	Pro forma adjustment (Shinhan-Golden) #4	Pro forma adjustment (World East) #5	Pro forma adjustment #6	The Remaining Group for the year ended 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES					
Interest paid	(19,494)	19,494			—
Issuance of new shares	562,775				562,775
Repayment of secured bank loans	5,359	28,409			33,768
New secured bank loans raised	65,922				65,922
Net cash generated from financing activities	614,562				662,465
Net cash increase in cash and cash equivalents	451,810				403,033
Effect of foreign exchange rate	16,446	26,622	(11,681)		31,387
Cash and cash equivalents at the beginning of the year	63,140	(5,799)			57,341
Cash and cash equivalents at the end of the year	531,396				419,761
Analysis of the balances of cash and cash equivalents:					
Cash and bank balances	531,396	(39,135)		(500)	419,761

Note to the Unaudited Pro Forma Consolidated Income Statement and Unaudited Pro Forma Consolidated Cash Flow Statements

1. The adjustment reflects the net effect of the disposal of Shinhan-Golden, which represents the elimination of the net profit of HK$108,465,000 of Shinhan-Golden for the year ended 31 December 2007, assuming that if the disposal has been completed on 1 January 2007. This adjustment is not expected to have a continuing effect on the Remaining Group.

2. The adjustment reflects the net effect of the disposal of World East, which represents the elimination of the net loss of HK$194,000 of World East for the year ended 31 December 2007, assuming that if the disposal has been completed on 1 January 2007. This adjustment is not expected to have a continuing effect on the Remaining Group.

3. The pro forma adjustments represented:

   — the gain on the Disposals HK$21,719,000 attributable to the Remaining Group which is calculated based on the consideration of HK$140,483,000 (note 7) less (1) the estimated expenses to be incurred in connection to the Disposals of approximately HK$500,000; (2) the shareholders' loan from the Remaining Group of HK$3,979,000; and (3) the net assets/(liabilities) of HK$124,210,000 and HK$(9,925,000) attributable to the Disposal Group as at 1 January 2007. This adjustment is not expected to have a continuing effect on the Remaining Group.

   — The other revenue represents the effective interest income of the Promissory Note and the imputed interest income on the debt element of the Convertible notes for the year ended 31 December 2007. The adjustment had continuing financial effect.

   — The fair value changes on the conversion option element of the Convertible Note at the Disposal date and during the year ended 31 December 2007, assuming the Disposal had been completed on 1 January 2007. The adjustment had continuing financial effect.

   — The share of results of an associate – The CG Group, for the year ended 31 December 2007 assuming the Disposal had been completed on 1 January 2007. The adjustment had continuing financial effect.

   — The reversal of the impairment loss of goodwill for the year ended 31 December 2007, assuming that if the Disposal has been completed on 1 January 2007. This adjustment is not expected to have a continuing effect on the Remaining Group.

4. The adjustment reflects the exclusion of cash flow of the Shinhan-Golden for the year ended 31 December 2007, assuming that if the disposal of Shinhan-Golden has been completed on 1 January 2007. This adjustment is not expected to have a continuing effect on the Remaining Group.

5. The adjustment reflects the exclusion of cash flow of the World East for the year ended 31 December 2007, assuming that if the disposal of World East has been completed on 1 January 2007. This adjustment is not expected to have a continuing effect on the Remaining Group.

6. The adjustment reflects the cash consideration net of estimated expenses directly attributable to the Disposals of HK$500,000 assuming the Disposals had been taken place on 1 January 2007. This adjustment is not expected to have a continuing effect on the Remaining Group.

7. An analysis of the fair value of the total consideration of the Disposal is set out as follows:

	HK$'000
Fair value of Shares *(note a)*	27,658
Fair value of Promissory Note *(note b)*	57,380
Fair value of Convertible Note *(note c)*	55,445
Cash *(note d)*	—
	140,483

(a) The value of Consideration Shares for the Disposal was based on 117,691,940 shares of Golife at HK$0.235 per share as if the Disposal completed on 1 January 2007. However, the fair value of the Consideration Shares issued as consideration for the Disposal so arrived at as aforesaid and used for the purpose of the unaudited pro forma financial information set out above may be substantially different from their fair value at the date of completion. Accordingly, the actual gain on disposal of subsidiaries may be different from that shown on note(3) above.

(b) The Promissory Note with the principal value of HK$100,000,000 is to be issued by Golife as consideration for the Disposal. The Promissory Note is repayable at any time within five years from the date of issue of the Promissory Note at no interest. The Promissory Note is classified as held to maturity financial asset and should be initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method. The fair value of the Promissory Note is determined at HK$57,380,000 at the date of issue using the interest rate of 11.75% per annum, over the entire term of the Promissory Note, i.e. 5 years. The shortfall of HK$42,620,000 of the fair value of HK$57,380,000 below the principal value of HK$100,000,000 will be recognised as an interest income of the Group over a term of 5 years using the effective interest rate method. The effective interest income of the Promissory Note amounts to HK$6,742,000 based on the applicable principal amount of HK$57,380,000 and interest rate of 11.75% per annum.

(c) The initial measurement of the estimated fair value of the debt element and the conversion option element of the Convertible Note on 1 January 2007, assuming the Disposal had been completed on 1 January 2007, were approximately HK$32,925,000 and HK$22,520,000 respectively, based on a valuation report issued by Grant Sherman Appraisal Limited, an independent qualified professional valuer.

(d) The amount of cash consideration is subject to adjustment pursuant to the sale and purchase agreement. In the event that the total outstanding balances of the Sales Loans as at the date of the Disposal is less than HK$46,678,498, the cash consideration shall be reduced by the corresponding difference. At the date of Disposal, the outstanding balance of the Sales Loans is HK$3,974,000 and the cash consideration shall be reduced to zero.

1. AUDITED FINANCIAL STATEMENTS

Set out below are the independent auditor's report and audited financial statements together with the relevant notes thereto as extracted from the annual report of Golife for the year ended 31 December 2007. For avoidance of doubt, capitalised terms used in the extract below shall have the meaning as ascribed to them in the annual report of Golife for the year ended 31 December 2007

Independent Auditor's Report

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

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

To the members of
GOLIFE CONCEPTS HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Golife Concepts Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 99, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on

Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Cheung & Siu
Certified Public Accountants (Practising)

Hong Kong, 20 March 2008

Consolidated Income Statement
Year ended 31 December 2007

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

Consolidated Balance Sheet

31 December 2007

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

Consolidated Statement Of Changes In Equity
Year ended 31 December 2007

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

Consolidated Cash Flow Statement

Year ended 31 December 2007

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

Consolidated Cash Flow Statement

Year ended 31 December 2007

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

Balance Sheet

31 December 2007

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

Notes to the Financial Statements

31 December 2007

1. General Information

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

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

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

2. Basis of Preparation

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

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

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

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

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

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

HKAS 1 (Amendment) — Capital Disclosures

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

HKFRS 7 — Financial Instruments: Disclosures

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

— a sensitive analysis explained the Group's market risk exposure in regard to its financial instruments, and

— a maturity analysis that shows the remaining contractual maturities of financial liabilities,

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

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

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

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

Notes:

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

4. Summary of Significant Accounting Policies

Basis of consolidation

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

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

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

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS39, if the Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly controlled entities

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

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

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

Associates

An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

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

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

Goodwill

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

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

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

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

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

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

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

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

An impairment loss recognized for goodwill is not reversed in a subsequent period.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largerly 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 straightline 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.

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, its transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial asset) is derecognised where:

— the rights to receive cash flows from the asset have expired;

— the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

— the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

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

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

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

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability components is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Derivative financial instruments and hedging

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

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

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

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

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

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

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

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

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

Fair value hedges

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

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

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

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

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

Cash flow hedges

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

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profits or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost if 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 recognised for all taxable temporary differences, except:

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

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

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

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

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

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

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

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

Revenue recognition

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

(a) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Equity-settled share-based payment transactions

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

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

Cash-settled share-based payment transactions

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

Pension scheme

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

Borrowing costs

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

Foreign currencies

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

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

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

5. Significant Accounting Judgements And Estimates

Judgements

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

Impairment of assets

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

Estimation uncertainty

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

Impairment of goodwill

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

Impairment for trade receivables

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

6. Segment Information

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

(i) Business segments

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

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

Segment information about these businesses is presented below.

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

	Continuing operation		Discontinued operation			
	Distribution of high-end apparel and accessories		Design, development and sales of location-based technology devices and applications		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets:						
Segment assets	35,262	94,395	—	1	35,262	94,396
Unallocated corporate assets					10,455	7,989
Total assets					45,717	102,385
Liabilities:						
Segment liabilities	27,456	21,547	—	417	27,456	21,964
Unallocated corporate liabilities					6,508	48,873
Total liabilities					33,964	70,837

	Year ended 31/12/2007 HK$'000	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/12/2007 HK$'000	Period from 1/4/2006 to 31/12/2006 HK$'000	Year ended 31/12/2007 HK$'000	Period from 1/4/2006 to 31/12/2006 HK$'000
Other segment information:						
Capital expenditure	7,249	1,741	—	—	7,249	1,741
Depreciation	2,991	732	—	—	2,991	732
Amortisation	673	280	—	—	673	280
Impairment loss	80,089	—	—	4	80,089	4

(ii) ***Geographical segments***

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

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

7. Turnover, Other Revenues and Gains

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

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

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

8. Finance Costs

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

9. Profit/(Loss) before Tax

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

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

10. Directors' Remuneration and Five Highest Paid Employees

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

Year ended 31 December 2007:

	Fees	Salaries and allowances	Retirement scheme contribution	Share option benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lo Mun Lam, Raymond	380	—	—	—	380
Gouw San Bo, Elizabeth *(note 1)*	—	1,227	6	—	1,233
Richard Yen *(note 2)*	500	944	33	631	
Leung Tak Wah *(note 3)*	—	246	7	—	253
Non-executive directors					
Duncan Chiu	—	—	—	33	33
Yu Wai Yin, Vicky *(note 4)*	33	—	—	—	33
Independent non-executive directors					
Lum Pak Sum	221	—	—	—	221
Sum Chun Ho, Sam	60	—	—	—	60
Wan Kwok Pan	49	—	—	—	49
Total	1,243	1,567	17	66	2,893

Period from 1 April 2006 to 31 December 2006

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

Notes:

1. Ms. Gouw San Bo, Elizabeth was appointed as an executive director on 11 July 2007.

2. Mr. Richard Yen was appointed as a non-executive director and redesignated as an executive director on 27 September 2006 and 28 August 2007, respectively.

3. Mr. Leung Tak Wah resigned as an executive director on 11 July 2007.

4. Ms. Yu Wai Yin Vicky, was redesignated as a non-executive director on 3 April 2007.

5. Mr. Duncan Chiu was appointed as a non-executive director on 27 September 2006.

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

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

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

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

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

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

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

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

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

Retirement benefit costs

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

11. Tax

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

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

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

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

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

12. Net Loss Attributable to Shareholders

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

13. Discontinued Operation

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

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

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

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

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

14. Dividend

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

15. Earnings/(Loss) Per Share

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

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

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

16. Property, Plant and Equipment

Group

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

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

17. Goodwill

Group

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

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

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

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

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

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

Key assumptions used for value-in-use calculations:

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

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

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

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

18. Intangible Assets

Group

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

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

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

19. Interests in Subsidiaries

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

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

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

Name	Place of incorporation/ registration	Issued and fully paid up capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Golife (Hong Kong) Limited	Hong Kong	HK$500,000	100%	—	Distribution of high-end apparel and accessories
Golife (Trading) Limited	Hong Kong	HK$300,000	—	100%	Distribution of high-end jewellery and accessories
Golife (Management) Limited (Formerly known as On Winner Enterprises Limited)	Hong Kong	HK$10,000	—	100%	Dormant
GOL (International) Limited	British Virgin Islands	US$1	—	100%	Dormant
Peak Choice Limited	British Virgin Islands	US$1	100%	—	Investment in securities
Sunfame Limited	British Virgin Islands	US$100	100%	—	Dormant
Profit First Investments Limited	British Virgin Islands	US$1	100%	—	Investment holding
Better Point Limited	British Virgin Islands	US$1	100%	—	Investment holding
CR Hong Kong (Trading) Limited	Hong Kong	HK$1	—	100%	Dormant

20. Interests in Jointly Controlled Entities

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

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

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

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

Name	Place of incorporation/ registration	Percentage of Ownership interest	Voting power	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	Dormant

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:

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

21. Investment in an Associate

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Share of net assets	—	4
Impairment	—	(4)
	—	—

The investment in an associate was disposed during the year.

22. Inventories

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Merchandise	8,992	2,643

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

23. Trade Receivables

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

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

24. Financial Assets at Fair Value Through Profit or Loss

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

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

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

25. Derivative Financial Instruments

	Group			
	2007		**2006**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Foreign currency contracts	840	459	92	—

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

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

26. Trade and Bills Payables

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

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

27. Interest-bearing Bank and Other Borrowings

	Group					
	2007			2006		
	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 28*	3.35%	2008	395	3.35%	2007	395
Bank overdrafts — secured	best lending rate	on demand	807	best lending rate + 1%	on demand	2,471
Bank loans — secured	5.81% or prime rate +2%	2008	5,021	prime rate +2%	2007	6,831
Trust receipt loans — secured	best lending rate	2008	7,340	best lending rate	2007	2,763
			13,563			12,460
Non-current						
Finance lease payables — *note 28*	3.35%	2009 – 2011	643	3.25%	2008 – 2011	1,038
Bank loans — secured	prime rate +2%	2009 – 2010	162	prime rate + 2%	2008 – 2009	1,747
			805			2,785
			14,368			15,245

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

The Group's banking facilities are secured by:

(i) the pledge of certain of the Group's fixed deposits amounted to approximately HK$5,949,000;

(ii) the pledge of certain of the Group's financial assets at fair value through profit or loss with carrying amount of approximately HK$728,000;

(iii) corporate guarantee provided by the Company; and

(iv) personal guarantees provided by directors of a subsidiary of the Group.

28. Finance Lease Payables

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

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

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

29. Convertible Notes

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

The fair value of the liability component and the equity conversion component were determined at issurance of the convertible notes. The fair value of the liability component was calculated using a market interest rate. The residual amount, representing the value of the equity conversion component, has been included in the convertible notes reserve.

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

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

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

30. Deferred Tax

Group

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

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

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

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

31. Share Capital

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

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

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

Notes:

(i) Pursuant to the capital reorganization completed on 22 June 2006, 658,501,863 issued shares were consolidated into 131,700,372 shares on the basis of every 5 shares consolidated into 1 share. The nominal value of each issued consolidated share was then reduced from HK$0.1 each to HK$0.01 each by way of a reduction of capital. Accordingly, an amount of HK$64,533,183 from the share capital account was applied towards the elimination of part of the accumulated losses of the Company.

(ii) 395,101,116 new ordinary shares of the Company were issued under the Open Offer on 25 July 2006, proceed of approximately HK$23.05 million was being raised as working capital.

(iii) During the year, convertible notes with principal amount of HK$57,020,000 were converted into 570,200,000 ordinary shares at a conversion price of HK$0.10 per share.

(iv) 150,000,000 new ordinary shares of the Company had been issued at a placing price of HK$0.165 per share on 18 June 2007, proceed of approximately HK$24,415,000 was being raised as working capital.

32. Share Option Scheme

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

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

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

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

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

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

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

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

33. Employee Award Plan

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

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

(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.

The following tables set out the movement in the Plan:

Year ended 31 December 2007

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

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

34. Reserves

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

Company

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

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

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

35. Disposal of Subsidiaries

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

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

36. Related Party Transactions

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

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

Notes:

(i) Management fee was charged at a rate mutually agreed between the Group and the related company in which certain directors of the Company's subsidiary have beneficial interests, by reference to sharing of office premises and supplies, and manpower in provision of administrative services to the Group.

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

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

(iv) Management fee income was charged at a rate mutually agreed between the Group and a jointly controlled entity and based on the cost of the administrative services provided by the Group.

(v) Subsidy received from a jointly controlled entity was based on a pre-agreed fixed amount.

(vi) Management fee income was charged by the Company based on the cost of manpower in provision of human resource services to the subsidiaries.

(b) On 15 August 2007, Better Point Limited ("Better Point"), a wholly-owned subsidiary of the Company, entered into an agreement with Austen Limited ("Austen") in which Mr. Richard Yen, a director of the Company, has interest, to establish CR Hong Kong Limited ("CR Hong Kong") which will principally engage in the holding of licensing rights including without limitation the investment in design, manufacturing and distribution of fashion and life style product of the brand called Cynthia Rowley.

(c) The Group's related company has guaranteed the trust receipt loans and bank overdrafts made to the Group's subsidiary up to HK$4,000,000 and HK$1,000,000 respectively at nil consideration. At the balance sheet date, such guarantee has been released by the related company.

37. Contingent Liabilities

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

38. Operating Lease Arrangements

The Group leases certain retail shops and office premises under operating lease arrangements. Leases for retail shops and office premises are negotiated for terms ranging from 1 to 3 years. At the balance sheet date, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

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

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

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

39. Commitments

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

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

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

(b) Capital commitments

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

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

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

The transaction is yet to be approved by the shareholders.

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

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

40. Post Balance Sheet Events

The following events have occurred subsequent to 31 December 2007:

(a) On 4 February 2008, the Board announced that the Company proposes to raise funds ranging from approximately HK$56.86 million to approximately HK$57.00 million, before expenses, by way of the Rights Issue of not less than 997,601,190 Rights Shares and not more than 999,977,190 Rights Shares at the Subscription Price of HK$0.057 per Rights Share. The basis of the Rights Issue is four Rights Shares for every five existing ordinary shares of the Company held on 12 March 2008. Further details of the transaction are also set out in a prospectus, circular and an announcement of the Company dated 14 March 2008, 25 February 2008 and 4 February 2008, respectively.

(b) On 18 February 2008, Better Point Limited ("Better Point"), a directly wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Austen Limited to purchase its entire interests in CR Hong Kong Limited ("CR Hong Kong") which is a jointly controlled entity of Better Point. Upon the completion of the acquisition, CR Hong Kong becomes an indirectly wholly owned subsidiary of the Company.

(c) On 18 February 2008, the Company entered into a subscription agreement (as amended by a supplemental agreement dated 7 March 2008) with Chung Chiu Limited ("Chung Chiu") whereby Chung Chiu agreed to subscribe for the convertible bonds in the principal amount of HK$40,000,000 to be issued by the Company for a term of 3 years with a coupon rate of 2% per annum. Further details of the transaction are also set out in a circular and an announcement of the Company dated 12 March 2008 and 20 February 2008, respectively.

41. Financial Risk Management Objectives and Policies

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

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

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

Interest rate risk

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

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

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

Foreign currency risk

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

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

Liquidity risk

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

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

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

	On demand	**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					
Interest-bearing loans and borrowings	806	9,361	3,396	805	14,368
Trade and bills payables	—	2,593	—	—	2,593
Other payables and accruals	—	15,114	—	—	15,114
	806	27,068	3,396	805	32,075

	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 2006					
Interest-bearing loans and borrowings	2,471	4,867	5,122	2,785	15,245
Trade and bills payables	—	3,116	—	—	3,116
Other payables and accruals	—	3,212	—	—	3,212
	2,471	11,195	5,122	2,785	21,573

Credit risk

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

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

42. Capital Management

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

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

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

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

43. Comparative

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

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

44. Approval of the Financial Statements

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

2. AUDITED FINANCIAL STATEMENTS

Set out below are the independent auditor's report and audited financial statements together with the relevant notes thereto as extracted from the annual report of Golife for the period from 1 April 2006 to 31 December 2006. For avoidance of doubt, capitalised terms used in the extract below shall have the meaning as ascribed to them in the annual report of Golife for period from 1 April 2006 to 31 December 2006.

Independent Auditor's Report

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

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

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

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

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

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

Consolidated Income Statement
Period from 1 April 2006 to 31 December 2006

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

Consolidated Balance Sheet

31 December 2006

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

	Notes	31/12/2006 HK$'000	31/3/2006 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	2,785	4,775
Convertible notes	27	48,188	—
Total non-current liabilities		50,973	4,775
Net assets/(liabilities)		31,548	(5,826)
EQUITY			
Issued capital	29	5,268	65,850
Equity component of convertible notes	27	11,316	—
Reserves		14,964	(71,676)
Total equity		31,548	(5,826)

Consolidated Statement of Changes in Equity

Period from 1 April 2006 to 31 December 2006

	Issued capital *HK$'000*	Share premium *HK$'000*	Equity component of convertible notes *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2005	59,092	34,698	—	(15)	(88,633)	5,142
Issue of shares upon loan capitalisation	6,758	—	—	—	—	6,758
Net loss for the year	—	—	—	—	(17,726)	(17,726)
At 31 March 2006 and 1 April 2006	65,850	34,698	—	(15)	(106,359)	(5,826)
Capital reorganisation — *note 29*	(64,533)	—	—	—	64,533	—
Issue of shares on open offer	3,951	21,730	—	—	—	25,681
Share issuance costs	—	(786)	—	—	—	(786)
Issue of convertible notes — *note 27*	—	—	11,999	—	—	11,999
Redemption of convertible notes	—	—	(683)	—	—	(683)
Reserve realized upon disposal of subsidiaries	—	—	—	15	—	15
Net profit for the period	—	—	—	—	1,148	1,148
At 31 December 2006	5,268	55,642	11,316	—	(40,678)	31,548

Consolidated Cash Flow Statement

Period from 1 April 2006 to 31 December 2006

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

	Period from 1/4/2006 to 31/12/2006 *HK$'000*	Year ended 31/3/2006 *HK$'000*
INVESTING ACTIVITIES		
Acquisition of a subsidiary	(21,362)	—
Purchases of items of property, plant and equipment	(125)	(9)
NET CASH USED IN INVESTING ACTIVITIES	(21,487)	(9)
FINANCING ACTIVITIES		
Interest paid	(315)	—
Proceeds from open offer	24,895	—
Redemption of convertible notes	(3,500)	—
Repayment of other loan	(3,775)	—
New bank loans	7,300	—
Repayment of bank loans	(873)	—
Decrease in trust receipt loans	(3,157)	—
Repayments of capital element of finance leases	(183)	(8)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	20,392	(8)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	843	(10)
Cash and cash equivalents at beginning of period/year	112	122
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	955	112
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,426	112
Bank overdrafts	(2,471)	—
	955	112

Balance Sheet

31 December 2006

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

Notes to the Financial Statements

31 December 2006

1. General information

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

The registered office and principal place of business of the Company are located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands and Suite 14A, 14 Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong, respectively.

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

2. Basis of preparation

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

3. Impact of new Hong Kong Financial Reporting Standards and changes in accounting policies

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

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

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments Disclosures[1]
HK(IFRIC)-Int 8	Scope of HKFRS 22
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[4]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[5]
HK(IFRIC)-Int 12	Service Concession Arrangements[6]

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

4. Summary of significant accounting policies

Basis of presentation

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period from 1 April 2006 to 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

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

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

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

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

Goodwill

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

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

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

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

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

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

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

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

An impairment loss recognized for goodwill is not reversed in a subsequent period.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largerly 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	20%
Furniture, fixtures and office equipment, and computer equipment	20% — 33.3%
Motor vehicles	20 — 25%
Moulds	50%

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

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

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

Leases

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

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

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

Intangible assets

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

Franchise rights

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

Investment and other financial assets

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, its transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

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 cashsettled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

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

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

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

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability components is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and components when the instruments are first recognised.

Inventories

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

Cash and cash equivalents

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

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

Provision

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

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

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

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.

Pension scheme

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

Borrowing costs

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

Foreign currencies

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

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

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

5. Significant accounting judgements and

Estimates

Judgements

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

Impairment of assets

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

6. Segment information

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

(i) Business segments

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

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

Segment information about these businesses is presented below.

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

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

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

(ii) Geographical segments

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

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

7. Turnover, other revenue and gains

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

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

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

8. Finance costs

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

9. Profit/(loss) before tax

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

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

10. Directors' remuneration and five highest paid employees

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

Period from 1 April 2006 to 31 December 2006:

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

Year ended 31 March 2006:

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

Notes:

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

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

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

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

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

During the period from 1 April 2006 to 31 December 2006 and year ended 31 March 2006, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Retirement benefit costs

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

11. Tax

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

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

	Period from 1/4/2006 to 31/12/2006 *HK$'000*	**Year ended 31/3/2006** *HK$'000*
Current provision:		
— Hong Kong	575	—
— Overseas	101	—
	676	—

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

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

12. Net profit/(loss) attributable to shareholders

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

13. Dividend

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

14. Earnings/(loss) per share

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

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

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

15. Property, plant and equipment

Group

	Leasehold improvements *HK$'000*	Computer and equipment *HK$'000*	Furniture, fixture office equipment *HK$'000*	Motor vehicles *HK$'000*	Mould *HK$'000*	Total *HK$'000*
Cost:						
At 1 April 2005	—	58,680	86	213 187	59,166	
Additions	—	9	—	—	—	9
Write-off	—	(58,689)	(86)	(213)	(187)	(59,175)
At 31 March 2006 and 1 April 2006	—	—	—	—	—	—
Acquired on acquisition of a subsidiary	3,805	—	544	—	—	4,349
Additions	52	—	73	1,616	—	1,741
At 31 December 2006	3,857	—	617	1,616	—	6,090
Accumulated depreciation:						
At 1 April 2005	—	41,677	77	213	187	42,154
Charge for the year	—	11,185	9	—	—	11,194
Write-off	—	(52,862)	(86)	(213)	(187)	(53,348)
At 31 March 2006 and 1 April 2006	—	—	—	—	—	—
Acquired on acquisition of a subsidiary	2,050	—	353	—	—	2,403
Charge for the period	347	—	62	323	—	732
At 31 December 2006	2,397	—	415	323	—	3,135
Net book value:						
At 31 December 2006	1,460	—	202	1,293	—	2,955
At 31 March 2006	—	—	—	—	—	—
At 31 March 2005	—	17,003	9	—	—	17,012

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

16. Goodwill

Group

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

	HK$'000
Arising from acquisition of a subsidiary	75,552
Impairment during the period	—
At 31 December 2006	75,552

17. Intangible assets

Group

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

18. Interests in subsidiaries

	Company	
	31/12/2006	**31/3/2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	81,180	—
Due from subsidiaries	102,193	97,629
Due to a subsidiary	(3,915)	—
Impairment in value	(102,193)	(97,629)
	(3,915)	—
	77,265	—

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

Particulars of the subsidiaries of the Company as at 31 December 2006 are as follows:

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

19. Investments in associates

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

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

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

20. Inventories

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

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

21. Trade receivables

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

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

22. Financial assets at fair value through profit or loss

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

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

23. Derivative financial instruments

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

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

24. Trade and bills payables

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

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

25. Interest-bearing bank and other borrowings

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

The Group's banking facilities are secured by:

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

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

26. Finance lease payables

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

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

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

27. Convertible notes

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

The fair value of the liability component and the equity conversion component were determined at issuance of the convertible notes. The fair value of the liability component was calculated using a market interest rate. The residual amount, representing the value of the equity conversion component, has been included in the convertible notes reserve.

The convertible notes recognized in the balance sheets are calculated as follows:

	Group and Company	
	31/12/2006	**31/3/2006**
	HK$'000	*HK$'000*
Nominal value of convertible notes issued during the period	61,520	—
Equity component	(11,999)	—
Liability component at the issuance date	49,521	—
Redemption during the period	(2,817)	
Interest expenses	1,484	—
Liability component at balance sheet date	48,188	—
Equity component at the issuance date	11,999	—
Redemption during the period	(683)	—
Equity component at balance sheet date	11,316	—

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

28. Deferred tax

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

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

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

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

29. Share capital

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

Notes:

(a) Pursuant to the capital reorganization completed on 22 June 2006, 658,501,863 issued shares were consolidated to 131,700,373 shares on the basis of every 5 shares consolidated into 1 share. The nominal value of each issued consolidated share was then reduced from HK$0.1 each to HK$0.01 each by way of a reduction of capital. Accordingly, an amount of HK$64,533,183 from the share capital account was applied towards the elimination of part of the accumulated losses of the Company.

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

30. Share option scheme

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

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

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

31. Reserves

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

Company

	Share premium	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2005	34,698	(94,338)	(59,640)
Net loss for the year	—	(6,517)	(6,517)
At 31 March 2006 and 1 April 2006	34,698	(100,855)	(66,157)
Capital reorganization	—	64,533	64,533
Issue of shares on open offer	21,730	—	21,730
Share issuance costs	(786)	—	(786)
Net loss for the period	—	(7,511)	(7,511)
At 31 December 2006	55,642	(43,833)	11,809

Note:

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

At 31 December 2006, in the opinion of the directors, the Company's reserves available for distributions to shareholders amounted to HK$11,809,000.

32. Acquisition of a subsidiary

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

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

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

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

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

33. Disposal of subsidiaries

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

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

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

34. Notes to the consolidated cash flow statement

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

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

35. **Related party transactions**

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

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

Management fee was charged at a rate mutually agreed between the Group and the related company in which certain directors of the Company's subsidiary have beneficial interests.

(b) At the balance sheet date, the Group's related company has guaranteed the trust receipt loans and bank overdrafts made to the Group's subsidiary up to HK$4,000,000 and HK$1,000,000, respectively (31 March 2006: Nil) at nil consideration.

36. **Litigation**

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

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

37. **Contingent liabilities**

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

38. Operating lease arrangements

The Group leases certain retail shops and office premises under operating lease arrangements. Leases for retail shops and office premises are negotiated for terms ranging from 1 to 3 years. At the balance sheet date, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

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

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

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

39. Commitments

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

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

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

40. Post balance sheet events

The following events have occurred subsequent to 31 December 2006:

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

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

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

41. Financial risk management objectives and polices

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

(i) Cash flow and fair value interest rate risk

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

(ii) Foreign currency risk

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

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Commodity price risk

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

42. Approval of the financial statements

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

3. AUDITED FINANCIAL STATEMENTS

Set out below are the independent auditor's report and audited financial statements together with the relevant notes thereto as extracted from the annual report of Golife for the financial year ended 31 March 2006. For avoidance of doubt, capitalised terms used in the extract below shall have the meaning as ascribed to them in the annual report of Golife for the financial year ended 31 March 2006.

Independent Auditor's Report

陳浩賢會計師事務所

GRAHAM H.Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

AUDITORS' REPORT TO THE SHAREHOLDERS OF SATELLITE DEVICES CORPORATION
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 21 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)

Hong Kong, 23 June 2006

Consolidated Income Statement
For the year ended 31 March 2006

	Note	2006 HK$'000	2005 HK$'000
Revenue	5	1,359	1,442
Cost of location-based technology devices and applications		(520)	(522)
		839	920
Other income		204	29
Reversal of provision for doubtful debts		2,498	—
Reversal of write-down/(write-down) of inventories		176	(1,378)
Write-off of long outstanding other payables and accruals		252	133
Waiver of accrued salary payable to a director		—	248
Write-off of property, plant and equipment		(5,827)	—
Staff costs		(2,188)	(2,628)
Depreciation		(11,194)	(11,772)
Other operating expenses		(2,486)	(2,715)
Loss before taxation	6	(17,726)	(17,163)
Taxation	7	—	—
Loss attributable to shareholders	8	(17,726)	(17,163)
Basic loss per share	9	14.49 cents	14.52 cents

Consolidated Balance Sheet
As at 31 March 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	12	—	17,012
Investments in associates	14	4	4
		4	17,016
Current assets			
Inventories	15	—	336
Trade receivables	16	328	171
Deposits, prepayments and other receivables		10	187
Cash and cash equivalents	17	112	122
		450	816
Current liabilities			
Other payables and accruals		1,505	2,466
Amount due to a fellow subsidiary	18	—	4,108
Amount due to a director	19	—	6,108
Current portion of obligation under finance leases		—	8
		1,505	12,690
Net current liabilities		(1,055)	(11,874)
Total assets less current liabilities		(1,051)	5,142
Capital and reserves			
Share capital	20	65,850	59,092
Reserves		(71,676)	(53,950)
Total (deficits)/equity attributable to equity holders of the Company		(5,826)	5,142
Non-current liabilities			
Other loan	23	4,775	—
		(1,051)	5,142

The financial statements on pages 21 to 51 were approved and authorised for issue by the Board of Directors on 23 June 2006 and are signed on its behalf by:

LO Mun Lam, Raymond
Director

LEUNG Tak Wah
Director

Balance Sheet
As at 31 March 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Investment in subsidiaries	13	—	—
Current assets			
Cash and cash equivalents	17	22	1
Current liabilities			
Other payables and accruals		329	549
Net current liabilities		(307)	(548)
Total assets less current liabilities		(307)	(548)
Capital and reserves			
Share capital	20	65,850	59,092
Reserves	22	(66,157)	(59,640)
		(307)	(548)

LO Mun Lam, Raymond
Director

LEUNG Tak Wah
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2004	59,092	34,698	(13)	(71,470)	22,307
Exchange differences arising on translation of financial statements of overseas subsidiaries and net losses not recognised in the consolidated income statement	—	—	(2)	—	(2)
Loss for the year	—	—	—	(17,163)	(17,163)
At 31 March 2005	59,092	34,698	(15)	(88,633)	5,142
At 1 April 2005	59,092	34,698	(15)	(88,633)	5,142
Issue of shares upon loan capitalisation	6,758	—	—	—	6,758
Loss for the year	—	—	—	(17,726)	(17,726)
At 31 March 2006	65,850	34,698	(15)	(106,359)	(5,826)

Consolidated Cash Flow Statement

For the Year Ended 31 March 2006

	2006	2005
	HK$'000	*HK$'000*
Loss before taxation	(17,726)	(17,163)
Adjustments for:		
Depreciation	11,194	11,772
Write-off of property, plant and equipment	5,827	—
(Reversal of write-down)/write-down of inventories	(176)	1,378
Reversal of provision for doubtful debts	(2,537)	—
Operating loss before working capital changes	(3,418)	(4,013)
Decrease in inventories	512	159
Decrease in trade receivables	2,380	188
Decrease/(increase) in deposits, prepayments and other receivables	177	(158)
Increase in trade payables, other payables and accruals including amount due to a director and a fellow subsidiary	356	3,947
Net cash from operating activities	7	123
Net cash used in investing activities		
Purchase of property, plant and equipment	(9)	(39)
Net cash used in financing activities		
Repayment of capital element of finance leases	(8)	(15)
Net (decrease)/increase in cash and cash equivalents	(10)	69
Cash and cash equivalents at 1 April	122	55
Effect of foreign exchange rate changes	—	(2)
Cash and cash equivalents at 31 March	112	122
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	112	122

Notes to the Financial Statements

1. General information

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 address of its registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 13 to the financial statements.

The financial statements have been prepared on a going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business. This assumption is dependent upon the continuing financial support of the Group's creditors and other external funding being available.

At 31 March 2006, the Group's net current liabilities exceeded its current assets by approximately HK$1,055,000 and the net liabilities of the Group amounted to approximately HK$5,826,000. As more detailed in note 29 below, subsequent to the balance sheet date, the directors of the Company proposed a capital reorganisation of the Company's share capital and an open offer to qualifying shareholders for subscription on the basis of three offer shares for every new share (being share of HK$0.01 each in the share capital of the Company upon the capital reorganisation become effective). Details of the proposed capital reorganisation and proposed open offer are disclosed in the Company's circular dated 27 March 2006. The estimated net proceeds from the proposed open offer will be approximately HK$23.73 million which is intended to be applied as to approximately HK$18.48 million for the partial payment of the consideration for a proposed acquisition (details of which are also disclosed in the Company's circular dated 27 March 2006) and as to approximately HK$1.85 million for marketing the brands to be acquired under the proposed acquisition and the remaining balance of approximately HK$3.40 million for general working capital of the Company. All the proposed capital reorganisation, proposed open offer and proposed acquisition were approved by the shareholders of the Company on 20 April 2006.

On the basis that the Group will raise additional working capital from the proposed open offer, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Had the going concern basis not been used, adjustments would have to be made to reclassify non-current liabilities to current liabilities, reduce the value of assets to their recoverable amounts and provide for any future liabilities which might arise.

2. Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs")

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised HKFRSs, HKASs and Interpretations that are generally effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the following HKFRSs and HKASs issued up to 31 December 2005 which are pertinent to its operations and relevant to these financial statements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment

The adoption of HKASs 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 27, 32, 33, 36, 37 and 39 has had no material impact on the Group's accounting policies and the methods of computation, presentation and disclosure in the Group's consolidated financial statements. The major effects on adoption of the other HKFRSs and HKASs are summaries as follows:

(a) The adoption of HKAS 1 requires the disclosure of judgments (apart from those involving estimations) and key assumptions concerning the future and other sources of estimation uncertainty. These disclosures are detailed in note 3 to the financial statements.

(b) The adoption of HKAS 24 affects the identification of related parties and the disclosure of related party transactions. These related party disclosures are presented in note 26 to the financial statements.

(c) The adoption of HKFRS 2 has resulted in a change in accounting policy for share options. Prior to this, no recognition and measurement of share-based payment transactions in which share options granted over shares in the Company were required until such options were exercised, at which time the share capital and share premium were credited with the proceeds received.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for share options. Under the new policy, the Group recognises the fair value of such share options as an expense with a corresponding increase recognised in a capital reserve within equity. Further details of the new policy are set out in note 4(l).

There were no share options granted by the Company after 7 November 2002 but had not vested before by 1 January 2005. Accordingly, the adoption of HKFRS 2 in respect of share options granted has had no effect on these financial statements.

The Group has not early applied the following new HKFRSs that have been issued by the HKICPA but not yet effective. The Group has considered these standards and interpretations but does not expect that they will have a material effect on the results of operation and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures [1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures [2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation [2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions [2]
HKAS 39 (Amendment)	The Fair Value Option [2]
HKAS 39 and HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts [2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources [2]
HKFRS 7	Financial Instruments: Disclosures [1]
HK(IFRIC) – INT 4	Determining Whether an Arrangement Contains a Lease [2]
HK(IFRIC) – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds [2]
HK(IFRIC) – INT 6	Liabilities Arising from Participating in a Specific Market-Waste, Electrical and Electronic Equipment [3]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [5]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives [6]

[1] Effective for the annual periods beginning on or after 1 January 2007
[2] Effective for the annual periods beginning on or after 1 January 2006
[3] Effective for the annual periods beginning on or after 1 December 2005
[4] Effective for the annual periods beginning on or after 1 March 2006
[5] Effective for the annual periods beginning on or after 1 May 2006
[6] Effective for the annual periods beginning on or after 1 June 2006

3. Critical accounting judgments and key source of estimation uncertainty

Estimates and judgments 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 Group makes estimates and assumption concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no significant risk of key assumptions concerning the future and other key sources of estimation at the balance sheet date which will cause an adjustment to carrying amounts of assets and liabilities within the next year.

There are no significant effects on amounts recognised in the financial statements arising from the judgments or estimates used by management.

4. Principal accounting policies

These financial statements have been prepared in accordance with HKFRS and HKAS issued by the 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. The measurement basis used in the preparation of the financial statements is the historical cost basis. The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Group accounting

(i) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, until the date such control ceases. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

A subsidiary is a company in which the Company, directly or indirectly, controls more than one half of the voting power or issued share capital or controls the composition of its board of directors or has power to govern its financial and operating policies.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and significant influence is exercised in its management.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates 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.

(b) Property, plant and equipment

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

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. 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, the expenditure is capitalised as an additional cost of that asset.

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

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

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. The gain or loss on disposal or retirement of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(c) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to operating leases net of any incentives received from the leasing company are charged to the income statement on straight-line basis over the lease term.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(e) Financial instruments

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with bank.

Other payables

Other payable are initially recognised at fair value and thereafter stated at amortised cost unless the effects of discounting would be immaterial, in which case they are stated at cost.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are taken to equity as a deduction, net of tax, from the proceeds.

(f) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expenses immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(h) 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 differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary 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 only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the accounting profit nor the tax profit.

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 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 to 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.

(i) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefits plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(j) Foreign currencies

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

In preparing the financial statements, transactions in currencies other than the Group entity's functional currency (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which case, the exchange differences are also recognised directly in equity.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

(k) Employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred.

(l) ***Share-based payments***

The Company operates share option schemes 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 employees is measured by reference to the fair value at the date at which they are granted. 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 Company, if applicable.

The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date of which the relevant employees became fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settlement transactions at each balance sheet date until the vesting date reflects the extent to which (i) the vesting period has expired, and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movements in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(m) ***Research and development costs***

Costs incurred in the research and development of products of the Group are expensed as incurred unless the costs of development satisfy the criteria for the recognition of such costs as assets. During the year, all research and development costs have been expensed.

(n) ***Revenue recognition***

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Interest income is recognised as it accrues using the effective interest method.

5. Revenue

Revenue, which is also the Group's turnover, represents net invoiced value of goods sold, less discounts and returns.

No activity analysis and geographical analysis are presented for the years ended 31 March 2006 and 2005 as substantially all the Group's turnover and contribution to results were derived from the design, development and sales of location-based technology devices and applications in Hong Kong.

6. Loss before taxation

Loss before taxation is stated after charging/(crediting) the following:

	2006	**2005**
	HK$'000	*HK$'000*
Auditors' remuneration		
— current year	250	250
— under provision in prior year	—	80
Building management fee	251	201
Depreciation of fixed assets		
— owned assets	11,194	11,757
— assets held under finance leases	—	15
Exchange loss	10	—
Legal and professional fees	680	531
Operating lease rental in respect of land and buildings	310	499
Research and development costs *	1,010	1,120
Retirement benefits costs **	(4)	33
Telephone	259	374

* Included in the research and development costs were staff costs of HK$1,008,000 (2005: HK$1,043,000) which had also been included in staff costs in the consolidated income statement.

** This item is included in staff costs in the consolidated income statement.

7. Taxation

(a) No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit for the years ended 31 March 2006 and 2005.

(b) No provision for overseas taxation has been made for the year as the subsidiaries operating in the PRC had no assessable income for PRC taxation purpose.

(c) The taxation for the year can be reconciled to loss before taxation per the consolidated income statement as follow:

	2006	2005
	HK$'000	*HK$'000*
Loss before taxation	(17,726)	(17,163)
Tax at the domestic income tax rate of 17.5%	(3,102)	(3,003)
Tax effect of non-deductible expenses	230	252
Tax effect of non-taxable income	—	(115)
Effect on different tax rates of subsidiaries operating in other jurisdictions	28	27
Deferred tax assets not recognised	2,844	2,839
	—	—

8. Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK$6,517,000 (2005: profit of HK$88,000).

9. Loss per share

The calculation of basic loss per share is based on the loss for the year of approximately HK$17,726,000 (2005: HK$17,163,000) and the weighted average number of 122,367,968 ordinary shares (2005 (restated): 118,183,200 ordinary shares) in issue during the year.

The weighted average number is stated after taking into consideration of the consolidation of shares by way of every five existing shares into one new consolidated share ("Share Consolidation"). The Share Consolidation was effective on 22 June 2006. Further details of the Share Consolidation are also disclosed in note 29 "Post balance sheet event".

Diluted loss per share is not presented for the years ended 31 March 2006 and 2005 as there were no potential dilutive shares outstanding during both years.

10. Directors' and senior management's emoluments

The remuneration of each director for the year ended 31 March 2006 and 2005 are set out below:

2006	**Fees**	**Salaries and allowances**	**Retirement scheme contribution**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Tsoi Siu Ching, Leo *(note 1)*	—	—	—	—
Leung Tak Wah	—	260	12	272
Yu Wai Yin, Vicky *(note 2)*	70	—	—	70
Lo Mun Lam, Raymond *(note 3)*	—	—	—	—
Independent non-executive directors				
Liu Kwong Sang *(note 4)*	—	—	—	—
Chan Chi Tong *(note 5)*	70	—	—	70
Huang Hai Wen *(note 1)*	64	—	—	64
Sum Chun Ho *(note 6)*	35	—	—	35
Lum Pak Sum *(note 7)*	—	—	—	—
Wan Kwok Pan *(note 8)*	6	—	6	—
Total	245	260	12	517

2005	**Fees**	**Salaries and allowances**	**Retirement scheme contribution**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Tsoi Siu Ching, Leo	—	250	2	252
Leung Tak Wah	—	179	8	187
Independent non-executive directors				
Liu Kwong Sang	—	—	—	—
Chan Chi Tong	154	—	—	154
Huang Hai Wen	76	—	—	76
Ku Ngai *(note 9)*	—	—	—	—
Total	230	429	10	669

Note:

1. Mr. Tsoi and Mr. Huang resigned on 31 August 2005

2. Ms. Yu was appointed on 26 August 2005

3. Mr. Lo was appointed on 13 September 2005

4. Mr. Liu resigned on 8 February 2006

5. Mr. Chan resigned on 15 September 2005

6. Mr. Sum was appointed on 26 August 2005

7. Mr. Lum was appointed on 13 September 2005

8. Mr. Wan was appointed on 8 February 2006

9. Mr. Ku resigned on 29 June 2004

During the year ended 31 March 2005, Mr. Tsoi Siu Ching, Leo waived his salaries to the amount of HK$248,000. The waived amount has not been included in the above disclosure. Apart from this, no directors waived or agreed to waive any of their emoluments in respect of the years ended 31 March 2006 and 2005.

The five individuals whose emoluments were the highest in the Group for the year include one (2005: one) director, details of whose emoluments are set out in above. Details of the emoluments of the remaining four (2005: four) non-director, highest paid employees of the Group for the year are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	675	1,041
Retirement benefits scheme contributions	31	38
	706	1,079

The emoluments of each of the non-director, highest paid individuals for the years ended 31 March 2006 and 2005 fell within Nil to HK$1,000,000 band.

During the year ended 31 March 2006 and 2005, 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.

11. 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. Property, plant and equipment

	Computer equipment *HK$'000*	**Furniture fixture and office equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Moulds** *HK$'000*	**Total** *HK$'000*
Cost					
At 1 April 2004	58,641	86	213	187	59,127
Additions	39	—	—	—	39
At 31 March 2005	58,680	86	213	187	59,166
At 1 April 2005	58,680	86	213	187	59,166
Additions	9	—	—	—	9
Write-off	(58,689)	(86)	(213)	(187)	(59,175)
At 31 March 2006	—	—	—	—	—
Depreciation, amortisation and impairment loss					
At 1 April 2004	29,947	60	188	187	30,382
Charge for the year	11,730	17	25	—	11,772
At 31 March 2005	41,677	77	213	187	42,154
At 1 April 2005	41,677	77	213	187	42,154
Charge for the year	11,185	9	—	—	11,194
Eliminated on write-off	(52,862)	(86)	(213)	(187)	(53,348)
At 31 March 2006	—	—	—	—	—
Net book value					
At 31 March 2006	—	—	—	—	—
At 31 March 2005	17,003	9	—	—	17,012

At 31 March 2006, no property, plant and equipment were held under finance leases. At 31 March 2005, the net book value of property, plant and equipment held by the Group under finance leases included in the total amount of furniture, fixtures and office equipment amounted to HK$8,000.

13. Investment in subsidiaries

	Company 2006 HK$'000	Company 2005 HK$'000
Amounts due from subsidiaries *(note (b))*	97,629	92,414
Less: provision	(97,629)	(92,414)
	—	—

(a) The following is a list of the subsidiaries of the Company as at 31 March 2006:

Name of company	Place of incorporation	Principal activities and place of operation	Issued and fully paid up share capital/ registered capital	Interest held
Shares held directly:				
Satellite Devices (BVI) Limited	The British Virgin Islands	Investment holding in Hong Kong	Ordinary US$3	100%
Satellite Devices Intelligence (BVI) Limited	The British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	100%
Shares held indirectly:				
Satellite Devices Limited	Hong Kong	Design, development and sale of location based technology devices and applications in Hong Kong	Ordinary HK$5,000,000	100%
衛科導航技術(深圳)有限公司 ("Satellite Devices Technology (Shenzhen) Company Limited")	The People's Republic of China excluding Hong Kong (the "PRC")	Provision of technical support services in the PRC	Registered capital HK$3,000,000	100%
Predominate Technology Limited	The British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	100%
Satellite Devices Intelligence Limited	Hong Kong	Inactive	Ordinary HK$1	100%

Satellite Devices Technology (Shenzhen) Company Limited has adopted 31 December as its financial year end date in order to comply with the Accounting Regulations of the People's Republic of China for Enterprises with Foreign Investment.

(b) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

14. Investments in associates

	2006	2005
	HK$'000	*HK$'000*
Share of net assets	1,474	1,474
Amount due to an associate *(note (b))*	(1,470)	(1,470)
	4	4

(a) The following is a list of the associates of the Group at 31 March 2006:

Company	Place and date of incorporation	Principal activities and place of operation	Issued share capital	Interest held indirectly
Telematics Systems Limited	Hong Kong 22 June 2001	Inactive	Ordinary shares of HK$10,000	40%
New Era Telematics Limited	Hong Kong 5 September 2001	Inactive	Ordinary shares of K$3,000,000	49%

Telematics Systems Limited and New Era Telematics Limited have adopted 31 December as their financial year end date.

(b) The amount due to an associate is unsecured, interest free and has no fixed terms of repayment.

15. Inventories

As at 31 March 2005, all inventories were carried at cost.

16. Trade receivables

The Group has a policy of allowing its trade customers with credit period normally ranged from 30 to 90 days. The aging analysis of trade receivables is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	283	98
31 – 60 days	45	45
61 – 90 days	—	8
Over 90 days	12,719	15,237
	13,047	15,388
Less: Provision for doubtful debts	(12,719)	(15,217)
	328	171

17. Cash and cash equivalents

The cash and cash equivalents at 31 March 2006 and 2005 comprised cash and bank balances only. Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of the cash and cash equivalents approximate to their fair values.

18. Amount due to a fellow subsidiary

The amount is due to Arcon Technology Limited ("ATL") and is unsecured, interest-free and repayable on demand. During the year, ATL assigned the amount due to it to a third party and the amount was included in other loan in the consolidated balance sheet at 31 March 2006.

19. Amount due to a director

The amount is due to Mr. Tsoi Siu Ching, Leo and is unsecured, interest-free and repayable on demand. During the year, Mr. Tsoi assigned the amount due to him to Executive Talent Limited, a company incorporated in the British Virgin Islands ("ETL"). The amount due to ETL was subsequently capitalised as detailed in note 20 below.

20. Share capital

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2004, 31 March 2005 and 31 March 2006	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 April 2004 and 31 March 2005	590,916,000	59,092
Issue of shares upon loan capitalisation *(note)*	67,585,863	6,758
At 31 March 2006	658,501,863	65,850

Note: On 9 December 2005, 67,585,863 new ordinary shares of HK$0.1 each were issued and allotted at par to a creditor, Executive Talent Limited, pursuant to a loan capitalisation deed entered into on 10 October 2005 with the creditor. Details of the loan capitalisation were disclosed in the Company's circular dated 27 March 2006. This is also the major non-cash transaction during the year.

21. Share options

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

The subscription price will be determined by the Board and will not be less than the highest of (i) the nominal value of the shares on the date of 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.

No share option was granted under the Scheme since its adoption.

22. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

Company	**Share premium**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2004	34,698	(94,426)	(59,728)
Profit for the year	—	88	88
At 31 March 2005	34,698	(94,338)	(59,640)
At 1 April 2005	34,698	(94,338)	(59,640)
Loss for the year	–	(6,517)	(6,517)
At 31 March 2006	34,698	(100,855)	(66,157)

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

In the opinion of the director, the Company had no reserve available for distributions to shareholders at the balance sheet date.

23. Other loan

The other loan is unsecured, interest bearing at the rate of 10% per annum and repayable by 4 quarterly instalments with the first instalment due on 30 June 2007.

24. Deferred taxation

The following are the major deferred tax liabilities and assets recognised and movements thereon during current and prior accounting period:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2004	4,880	(4,880)	—
Charged/(credited) to consolidated income statement	(2,011)	2,011	—
At 31 March 2005	2,869	(2,869)	—
At 1 April 2005	2,869	(2,869)	—
Charged/(credited) to consolidated income statement	(2,876)	2,876	—
At 31 March 2006	(7)	7	—

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

As at 31 March 2006, the Group had unused tax losses of approximately HK$97,339,000 (2005: approximately HK$98,477,000) available for offset against future profits. A deferred tax asset was recognised for the year ended 31 March 2006 in respect of HK$40,000 (2005: HK$16,393,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

The Company had no significant unprovided deferred taxation at the balance sheet date.

25. Financial risk management

The Group's activities exposed it mainly to currency risk and credit risk. The Group's overall risk management programme seeks to minimize potential adverse effects on the Group's financial performance.

(a) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Group's bank deposits and trade and other receivables. Cash transactions are limited to high-credit-quality institutions. In respect of the receivables, the Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

(b) Currency risk

The Group's principal businesses are mainly conducted and recorded in Hong Kong dollars and Renminbi Yuan. Therefore, the Group does not have any significant exposure to currency risk.

(c) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its interest bearing unsecured loan. The unsecured loan at fixed rate exposes the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

26. Related party transactions

Other than related party transactions in respect of key management personnel remuneration, amount due to a fellow subsidiary and amount due to a director, which were disclosed in notes 10, 18 and 19 respectively, the Group entered into the following transactions with a fellow subsidiary in the ordinary course of business:

	2006	**2005**
	HK$'000	*HK$'000*
Office rental expenses paid and payable to Arcon Technology Limited	—	16

27. Commitments

(a) Commitment under operating leases

As at 31 March 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	93	166
In the second to fifth years inclusive	77	9
	170	175

(b) Capital commitments in respect of acquisition of property, plant and equipment

As at 31 March 2006, the Group had commitments in respect of acquisition of property, plant and equipment as follows:

	2006	2005
	HK$'000	*HK$'000*
Contracted but not provided for	—	540
Authorised but not contracted for	—	—
	—	540

(c) Capital commitments in respect of investment in a subsidiary

As at 31 March 2006, the Group had unprovided capital commitments amounting to HK$857,000 (2006: HK$857,000) in respect of the investment in a subsidiary, Satellite Devices Technology (Shenzhen) Company Limited, being the balance of the required capital contribution to this subsidiary by the Group as at that date.

(d) Capital commitments in respect of acquisition of a company

On 10 October 2005 and 24 November 2005, the Company entered into a sale and purchase agreement and supplemental agreement respectively, with Chung Chiu Limited, a company incorporated in the British Virgin Islands with its principal office in Hong Kong, (the "Vendor") for the acquisition of the entire issued share capital of Hip Kin Retailing Limited, a company incorporated in Hong Kong ("HKR") at the consideration of HK$80 million. The consideration shall be satisfied by (i) approximately HK$18.48 million in cash out of the estimated net proceeds from the proposed open offer (as detailed in note 29 below) and the issue of convertible note for the remaining balance of approximately HK$61.52 million. The proposed acquisition of HKR is subject to the Company's shareholders' approval and certain conditions, among of which are the Capital Reorganisation having become effective and the completion of Open Offer (both as defined below). Further details of the proposed acquisition are set out in the Company's circular dated 27 March 2006. Such proposed acquisition was approved by the Company's shareholders on 20 April 2006.

28. Litigation

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

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

29. Post balance sheet events

On 20 April 2006, the following proposals which are detailed in the Company's circular dated 27 March 2006 (the "Circular"), were approved by the shareholders of the Company:

(i) proposed capital reorganisation ("Capital Reorganisation") — (i) every five existing issued and unissued shares of HK$0.10 each in the share capital of the Company be consolidated into one share of HK$0.50 each (the "Consolidated Share") in the capital of the Company (the "Share Consolidation"); (ii) the issued share capital of the Company be reduced (the "Capital Reduction") by cancelling paid-up capital to the extent of HK$0.49 on each Consolidated Share in the capital of the Company in issue on the date the Capital Reduction become effective (the "Effective Date") so that each issued share in the capital of the Company shall be treated as one fully-paid up share of HK$0.01 each in the capital of the Company (the "New Share"); (iii) the authorised but unissued share capital of the Company be sub-divided by subdividing each of the authorised but unissued shares of HK$0.50 each in the capital of the Company into fifty new shares of HK$0.01 each; and (iv) the credit amount arising from the Capital Reduction be applied to a distributable reserve of the Company where it may be utilised by the directors of the Company in accordance with the articles of association of the Company and all applicable laws, including to eliminate the accumulated losses of the Company as at the Effective Date. The Capital Reorganisation had become effective on 22 June 2006;

(ii) proposed open offer ("Open Offer") — conditional upon the Capital Reorganisation having become effective and other conditions set out in the Circular being satisfied, the issue by way of open offer of 395,101,116 shares of HK$0.01 each in the share capital of the Company upon the Capital Reorganisation (the "Offer Shares") to the Qualifying Shareholders (as defined in the Circular) for subscription on the basis of three Offer Shares for every one share of HK$0.01 at a price of HK$0.065 per Offer Share; and

(iii) the proposed acquisition of HKR as mentioned in note 27 above.

4. UNAUDITED FINANCIAL STATEMENTS

Set out below are the unaudited financial statements together with the relevant notes thereto as extracted from the third quarterly report of Golife for the nine months ended 30 September 2008. For avoidance of doubt, capitalised terms used in the extract below shall have the meaning as ascribed to them in the third quarterly report of Golife for the nine months ended 30 September 2008.

Condensed Consolidated Income Statement — Unaudited
For the nine months ended 30 September 2008

		For the three months ended 30 September		For the nine months ended 30 September	
		2008	**2007**	**2008**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER		15,926	17,427	51,177	39,454
Cost of sales		(7,516)	(5,998)	(23,298)	(13,845)
Gross profit		8,410	11,429	27,879	25,609
Other revenues and gains	*4*	276	2,702	5,354	6,071
Selling and distribution costs		(742)	(1,558)	(2,497)	(2,085)
Administrative expenses		(24,713)	(14,032)	(58,386)	(29,353)
Other expenses and losses	*5*	(131)	—	(13,705)	—
Finance costs	*6*	(426)	(346)	(1,097)	(1,254)
Share of loss of jointly controlled entities		—	(180)	—	(233)
PROFIT/(LOSS) BEFORE TAX	*7*	(17,326)	(1,985)	(42,452)	(1,245)
Tax	*8*	—	(213)	(12)	(734)
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		(17,326)	(2,198)	(42,464)	(1,979)
DIVIDEND	*9*	—	—	—	—
Earnings/(loss) per share	*10*				
Basic		(6.40) cents	(0.88) cents	(16.53) cents	(0.99) cents
Diluted		N/A	N/A	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

1. General Information

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

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

The Company's principal activity is investment holding. The principal activity of its subsidiaries is distribution of high-end apparel and accessories.

2. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial statements (the "Financial Statements") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants; 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.

The accounting policies and basis of preparation adopted in the preparation of the Financial Statements are consistent with those adopted in annual financial statements for the year ended 31 December 2007.

All significant transactions and balances within the Group have been eliminated on consolidation.

The Financial Statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

3. Turnover

The Group's principal activity is distribution of high-end apparel and accessories. Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered.

4. Other Revenues and Gains

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank interest income	230	13	591	13
Fair value gain on financial assets at fair value through profit or loss	—	—	—	346
Profit on disposal of financial assets at fair value through profit or loss	16	2,180	16	5,040
Profit on disposal of derivative financial instruments	—	—	3,057	—
Profit on disposal of subsidiaries	—	392	—	392
Management services income	30	117	90	280
Waiver of other payable	—	—	1,600	—
	276	2,702	5,354	6,071

5. Other Expenses and Losses

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fair value loss on financial assets at fair value through profit or loss	31	—	482	—
Loss on disposal of financial assets at fair value through profit or loss	100	—	140	—
Loss on disposal of derivative financial instruments	—	—	783	—
Break-up fee for a terminated acquisition *(note)*	—	—	12,300	—
	131	—	13,705	—

Note: Upon termination of the agreement to purchase 96.57% of a French company, a break-up fee of EUR 1 million was paid to the counterparties accordingly.

6. Finance Costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest on convertible notes	145	—	161	498
Interest on bank loans and overdrafts wholly repayable within five years	268	346	897	743
Interest on finance leases	13	—	39	13
	426	346	1,097	1,254

7. Profit/(Loss) before Tax

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost of inventories sold	7,516	5,998	23,298	13,845
Depreciation	1,097	460	3,521	931
Minimum lease payments under operating leases on land and buildings	5,401	3,774	15,344	9,357

8. Tax

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current income tax				
Hong Kong	—	131	—	637
Overseas	—	82	—	97
Under provision for prior years				
Overseas	—	—	12	—
	—	213	12	734

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

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

9. Dividend

The Board does not recommend the payment of dividend for the nine months ended 30 September 2008 (2007: Nil).

10. Earnings/(Loss) Per Share

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

	For the nine months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
Profit/(loss) attributable to shareholders	(42,464)	(1,979)
	Number of shares	
Weighted average number of ordinary shares in issue	256,820,965	199,403,008

Diluted earnings/(loss) per share is not presented as the convertible bonds and share options had antidilutive effects.

The weighted average number of ordinary shares in issue has been adjusted for the effect of share consolidation on 13 August 2008.

11. Reserves

	Share premium	Equity component of convertible notes	Share-based payments reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	55,642	11,316	—	(40,678)	26,280
Conversion of convertible notes	53,300	(11,316)	—	—	41,984
Placing of new shares	23,250	—	—	—	23,250
Cost of placing of new shares	(335)	—	—	—	(335)
Loss for the period	—	—	—	(1,979)	(1,979)
As at 30 September 2007	131,857	—	—	(42,657)	89,200
At 1 January 2008	132,103	—	98	(132,918)	(717)
Issue of convertible bonds	—	5,587	—	—	5,587
Conversion of convertible bonds	1,673	(89)	—	—	1,584
Loss for the period	—	—	—	(42,464)	(42,464)
As at 30 September 2008	133,776	5,498	98	(175,382)	(36,010)

12. Comparative Figures

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

5. MANAGEMENT DISCUSSION AND ANALYSIS OF GOLIFE

The following management discussion and analysis of Golife for the respective periods as stated below is extracted from the relevant annual reports and quarterly report of Golife. For avoidance of doubt, capitalised terms used in the extract below shall have the meaning as ascribed to them in the relevant annual reports and quarterly report of Golife.

For the year ended 31 March 2005

Financial Results

During the year under review, the group continues to engage in the design, development and sale of location based technology devices and applications in Hong Kong. The market conditions of the business remained harsh and very competitive.

The Group recorded a turnover of approximately HK$1.44 million for the year ended 31 March 2005, representing a decrease of approximately HK$13.33 million or 90% as compared with last year's HK$14.78 million. The loss attributable to shareholders is approximately HK$17.16 million.

Business Review

Due to the growth of business in car security monitoring market condition of the Group, a self-owned and well equipped control centre has already been sat up to meet its demand. A team of well-trained control centre operators serves the clients 24 hours a day; 7 days a week. We believe our services have been improved after we have taken up the role of car security monitoring from our co-partner.

The hard effort in developing our products and services in target segment is going on. The number of members for subscription of service is gradually increased especially we have jointly worked with Canful Motors Limited. We are keeping close touch with other great luxurious private car dealers to seek for opportunity to enlarge our business with them.

The Group is now re-engineering its products by developing GPRS solution replacing currently using SMS message. The costs for communication channel will substantially be reduced.

With the continued improvement of the economies in Hong Kong, the import of great luxurious private car becomes more favorable. It is believed that the demand for security monitoring system would increase. Nevertheless, the prospect for the security monitoring industry is still challenging due to keen competition from local and PRC competitors. As such, the Group would stay vigilant over the market environment and would maintain a prudent and conservative approach to its business.

In order to improve the Group's operating results, the Group will continue to implement stringent cost control measures.

Capital Structure

There has been no change in the capital structure of the Company during the year under review. The capital of the Company comprises only ordinary shares.

Financial Resources And Liquidity

As at 31 March 2005, the Group has total assets of approximately HK$17.8 million, which was mainly financed by current liabilities of approximately HK$12.7 million and shareholders' fund amounting to approximately HK$5.1 million. The ratio of total liabilities over the shareholders' funds is at 2.47 as at 31 March 2005.

Current assets amounted to approximately HK$0.8 million which mainly comprised of approximately HK$0.3 million inventories and HK$0.1 million cash and bank balance. The working capital ratio is 0.06 as at 31 March 2005.

The Group had no banking facilities available or any bank loans outstanding as at 31 March 2005.

The Directors believe that the Group has a strong financial position. The Group is comfortable that existing financial resources will be sufficient for future expansion plans. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain financing on favorable terms.

Foreign Exchange Exposure

The revenues of the Group are denominated mostly in Hong Kong Dollars. The group has minimal exposure to foreign exchange fluctuations and seldom needs to make use of financial instruments for hedging purposes.

Charges on Group Assets and Contingent Liabilities

As at 31 March 2005, there was no charge made on the Group's assets and any material contingent liability outstanding.

Employees

As at 31 March 2005, the Group had a total of 20 employees as comparing to 24 last year, who are engaged in the following operations:

Engineering and R&D	10
Sales and marketing (including field application engineers)	4
Finance, accounting, operation and administration	6
Total headcount	20

Employees in both Hong Kong and Mainland China are remunerated according to their performance and work experience. In addition to basic salaries, staff benefits include medical scheme, share options and performance bonus.

Significant Investments/Material Acquisitions and Disposals of Subsidiaries

During the year, the Group had no significant investments and no material acquisitions or disposal of subsidiaries.

Future Prospects

As per keen competition, our management team was very cautious in using the precious financial resources of the Group. We have focused on the fleet management and security monitoring system on vehicles. We expect we would diversify our products and services in Macau and PRC. The group would fine-tune its existing operations and strive for long term returns for the Company and our shareholders.

For the year ended 31 March 2006

Financial Results

For the year ended 31 March 2006, the Company and its subsidiaries (collectively the "Group") continued to focus on the security monitoring services and recorded an audited consolidated turnover of HK$1,359,000, which was trading at a similar level as of last year. The loss attributable to shareholders (the "Shareholders") of the Company this year of HK$17.73 million was also at a similar level as of last year. However, for the year ended 31 March 2006, staff cost was reduced by approximately HK$0.50 million and the successful recovery of an amount of bad debt provision, amounting to HK$2.50 million was also recorded. These savings were offset by the provision made against out-dated equipment and software amounting to HK$5.83 million. The market for our services has not grown since the last financial year, although the market in general remained very competitive.

Business Review

In 2005 and the first quarter of 2006, the Group continued to operate under keen competition. The Group has been exploring opportunities and additional sales channels for its 3G Skyeye Monitoring System by cooperating with other car dealers and insurance companies but the response from the insurance companies has not been encouraging. In August 2005, Mr. Tsoi resigned from the Group as Chairman of the board (the "Board") of directors, Chief Executive and Executive Director. The Group immediately sought qualified replacements. To strengthen the business prospects of the Group, additional directors were recruited to provide advice and service support. Furthermore, the Group also tried to improve its operational efficiency by reducing its administration headcounts and mitigating its overhead expenses by implementing tight operational control. For the year ended 31 March 2006, the Group was in pursuit of capital improvements, rationalizing and strategizing its operations to promote the return of profitability.

Capital Structure

The Board announced on 25 November 2005 that the Company and Executive Talent Limited (the "Creditor") entered into a deed on 10 October 2005 whereby the Company proposed to issue 67,585,863 shares (the "Loan Shares") at HK$0.10 each to the Creditor as full repayment of a loan owed by the Company to the Creditor (the "Loan Capitalisation"). The Loan Shares represent approximately 11.44% of the issued share capital of the Company prior to the completion of the Loan Capitalisation and approximately 10.26% of the enlarged share capital of the Company upon completion of the Loan Capitalisation which took place on 9 December 2005. It was also announced that the Board intended to put forward proposals to the Shareholders in relation to the (1) proposed capital reorganisation; (2) proposed open offer; and (3) proposed acquisition. All the proposals were submitted to the Shareholders for their approval in the extraordinary general meeting of the Company (the "EGM") held on 20 April 2006. The Directors are delighted to mention that all the special resolutions proposed at the EGM were approved, the approval of which will greatly enhance the future operations of the Group. The proposed capital reorganisation of the Group became effective on 22 June 2006.

Financial Resources and Liquidity

As at 31 March 2006, the Group has total assets of approximately HK$0.5 million, which was mainly financed by current liabilities of approximately HK$1.5 million, non-current liabilities of approximately HK$4.8 million and shareholders' deficits amounting to approximately HK$5.8 million. The ratio of total liabilities over the shareholders' fund is not applicable as at 31 March 2006 as the shareholders' fund is negative.

Current assets amounted to approximately HK$0.5 million which is mainly comprised of trade receivable and cash and bank balance of approximately HK$0.3 million and HK$0.1 million respectively. The working capital ratio is 0.30 as at 31 March 2006.

The Group had no banking facilities available or any bank loan outstanding as at 31 March 2006.

Foreign Exchange Exposure

The revenue of the Group was denominated mostly in Hong Kong Dollars. The Group has minimal exposure to foreign exchange fluctuations and seldom needs to make use of financial instruments for hedging purpose.

Charges on Group Assets and Contingent Liabilities

As at 31 March 2006, there was no charge made on the Group's assets and any material contingent liability outstanding.

Employees

As at 31 March 2006, the Group had a total of 15 employees as comparing to 20 last year, who are engaged in the following operations:

Engineering and R & D	9
Sales and Marketing (including field application engineers)	1
Finance, accounting, operation and administration	5
Total headcount	15

Employees in both Hong Kong and Mainland China are remunerated according to their performance and work experience.

Significant Investment and Material Acquisitions and Disposals of Subsidiaries

As reported in the circular to Shareholders dated 27 March 2006, the Group proposed to acquire the entire share interest of Hip Kin Retailing Limited. The proposed acquisition was approved by the Shareholders at the EGM of 20 April 2006. Hip Kin Retailing Limited has been the exclusive distribution of (i) London based Anya Hindmarch, a brand offering chic designer ladies' handbags, leather accessories, luggage, shoes and apparel, in Hong Kong since 1995 and in Taiwan since 2002; (ii) Paris-based Paule Ka, a women's wear design house offering a "young couture" style that appeal to women who opt for subtly elegant designer apparel, in Hong Kong since 2002. The whole consideration is HK$80 million, payable in cash and convertible notes upon completion.

Save as the above, the Group had no significant investments and no material acquisition or disposal of subsidiaries during the year.

Future Prospects

Leveraging on its own brand name, the Group will continue to provide services and product solutions of the locationbased technology and innovations to its high-income clientele in Hong Kong. The Group's services and product solutions are still suffering from fierce competition in terms of pricing and function variety that may hamper the Group's number of subscribers in the future. In order to maintain the Group's competitiveness, the management has directed the in-house engineering team to improve the services by concentrating on certain state-of-the-art developments. We also monitor all newly introduced solutions offered by our competitors to stay ahead within the market.

In view of the positive economic growth in Hong Kong, the management will devote more effort to ensure the acquired businesses of Hip Kin Retailing Limited contribute to the future profitability of the Group. We are expecting the completion of this acquisition and the open offer made for new shares in the later part of July 2006. The successful implementation of the proposed transactions shall strengthen both the financial position and profitability of the Group substantially.

For the nine months period ended 31 December 2006

Overview

During the period, the Group changed its year-end to 31 December. Hence, the results of the period under review are effectively the results of the 9 months ended 31 December 2006.

The Group underwent a period of significant change and growth in the nine months period under review and recorded the following developments:—

— Key changes in management personnel

— Open offer raised HK$23.73 million in net proceeds

— Acquired 100% interest in Golife (Hong Kong) Limited (formerly Hip Kin Retailing Limited), which holds the Greater China distribution rights of luxury fashion brands Anya Hindmarch and Paule Ka, at HK$81 million in cash and convertible notes

To reflect the change in business nature of the Group, we changed the name of the Company from "Satellite Devices Corporation" to "Golife Concepts Holdings Limited" in October 2006.

Turnover of the Group was approximately HK$18,885,000 for the period, representing an increase of 1,290% against the entire FY2005. The Group turned around its business to report profit attributable to shareholders of HK$1,148,000 against loss attributable to shareholders of HK$17,726,000 in last year. Excluding an interest charge of HK$1,484,000, which was arising from the remeasurement of the fair value of liabilities component of Convertible Notes amounting to HK$49,521,000, profit attributable to shareholders would be HK$2,632,000. Subsequent to the year-end, HK$37,100,000 of the Convertible Notes, of which the convertible price is HK$0.10, have been converted. Should the remaining Convertible Notes be fully converted within 2007, no similar charge shall be made in the Profit and Loss Account.

The Group's improved financial results is owed mainly to the acquisition of 100% equity interest in Golife (Hong Kong) Limited completed on 31 July 2006 (the "Acquisition").

During the nine months period under review, the Group made an open offer of 395,101,116 shares and raised net proceeds of HK$23.73 million. HK$18.48 million of the proceeds was used for the Acquisition, and the balance of HK$5.25 million as working capital of the Group. HK$1.85 million is earmarked for brand marketing. The Group's financial position has strengthened as a result of these transactions.

The five-month results of Golife (Hong Kong) Limited after the Acquisition was completed had been consolidated into the Group's account. Golife (Hong Kong) Limited had contributed positively and significantly to the profitability and cash flows of the Group.

A previous shareholder of Golife (Hong Kong) Limited, Chung Chiu Limited, provided a profit guarantee to the Group, as a condition of Sale and Purchase, of no less than HK$10,000,000 of net profit before tax for the year ended 31 March 2006. Golife (Hong Kong) Limited announced on 27 September 2006 that its net profit before tax for the year was HK$9,333,387. As agreed, Chung Chiu Limited paid the Group the shortfall of guarantee profit of HK$666,613.

Operational Review

During the nine months period, the Group's apparel and accessories distribution business made HK$18.34 million in turnover and gross profit of HK$11.02 million, translating into a gross profit margin of 60%. Demand for products of the two brands currently carried by the Group, namely London-based Anya Hindmarch and Paris-based Paule Ka, was strong driven by favourable economic conditions in Hong Kong and Taiwan. The Group believes the net margin of the business will improve with rental of shop space peaked in 2006 and expected to come down in 2007, hence lower rental cost of the business is expected.

As for the Group's location-based auto-recovery business, it reported a turnover of HK$0.54 million. Competition remained keen with players making continuous capital investment and pushing for technological innovation. The Board will carefully monitor the performance of this business and will consider ceasing this business unit as soon as practicable if it does not achieve desirable profitability in the near term.

Future Plans and Prospects

The strong macro economic environment of the Greater China region is favorable for the Group's luxury consumer products distribution business. The Board believes the Group is poised to capture opportunities in the region in the next few years to achieve rapid growth.

On February 2007, the Group entered into an Agreement with Zion Worldwide Limited ("Zion Worldwide") to establish LOC Limited ("LOC"), with Profit First Investment Limited and Zion Worldwide owning equal stake. LOC will wholesale, design, source, merchandise and market lifestyle consumer products including but not limited to jewellery and accessories under the Life of Circle trademark. Created by award-winning designer Dickson Yewn, Life of Circle is an accessories brand that infuses Chinese philosophy into product designs. The brand offers concept 'bridge' jewelry and accessories. The world-renowned brand received the DTC Diamond Award in 2004, and its store was named by Forbes magazine as among the world's top 25 stores in 2005.

When the transaction is completed, Dickson Yewn and Zion Worldwide will transfer and assign to the new company all LOC IP Rights and existing Trademark-related products, and Golife will be involved in brand management and product development of LOC. Golife will also be the exclusive agent to market, distribute, promote or conduct deals of the products in overseas markets. In Hong Kong, it will open as many as 4 mono-brand stores for LOC in premium shopping malls and be responsible for wholesale arrangements with other prestigious multi-brand stores.

With Life of Circle added to its portfolio, the Group is prepared to aggressively expand its luxury consumer products distribution business in 2007.

For Anya Hindmarch, the Group has secured prime shop spaces and will open two new stores in Taiwan in mid-2007 and one new store in Hong Kong in the second half of 2007. For Paule Ka, the Group will open a second and third store in Hong Kong in the third quarter of 2007. For Life of Circle, the Group has plans for two stores in premium shopping malls in Hong Kong. Upon completion of these expansion plans, the Group will have a total of 13 points of sales compared to 6 as at 31 December 2006.

The Group will continue to identify and forge equity and/or distribution partnership with unique fashion and lifestyle-product brands with character, market potential and longevity. It will focus on a "vertical brandraising" model, which will enable it to attract more "up-and-coming" brands in Greater China to become its partners. The Group targets to double its points of sales every 18 months.

The Group also plans to start distributing products and setting up retail operations in Mainland China, the fastest growing economy in Asia. It expects to complete mapping out related strategy and mechanism in the near future. The Group is confident of capturing the demand for luxury products in key Mainland cities.

Liquidity and Financial Resources

The Group had cash and bank balances of HK$3.43 million as at 31 December 2006. To achieve a higher return for working capital, the Group also held short-term investments, mainly derivatives and equity listed in Hong Kong, totaling HK$6.20 million.

The Group will continue to improve its financial position. With positive cash inflow from operations and secured banking facilities, the Group has sufficient financial resources to meet its commitments and working capital requirements.

For the year ended 31 March 2007

Financial Review

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

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

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

Distribution Business

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

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

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

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

Product Development

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

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

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

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

Acquisition of French-brand Solola

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

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

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

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

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

Future Plans and Strategies

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

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

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

Corporate Planning and Administration

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

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

Liquidity and Financial Resources

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

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

Employees

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

For the nine months period ended 30 September 2008

Overview

Turnover of the Group was approximately HK$51,177,000 for the nine months ended 30 September 2008 (the "Period"), representing an increase of 30% compared with the corresponding period last year. Gross profit was HK$27,879,000, representing approximately 54% of turnover. Loss attributable to shareholders after tax was HK$42,464,000. Within the total losses, HK$22,421,000 was attributed by the termination of the acquisition of Financière Solola in April 2008 and certain related financing exercises. Excluding the one-time losses that were attributed from the termination of this acquisition, the Group's net loss attributable to shareholders was HK$20,043,000.

Business performance

Distribution business for two luxury European brands, Anya Hindmarch, and Paule Ka, continued to grow steadily. British accessory brand Anya Hindmarch remained as the Group's main revenue contributor accounting for 63% of the Group's turnover. Turnover from Anya Hindmarch was HK$32,183,000, of which 66% was derived in Hong Kong and the remaining 34% from Taiwan. Turnover from the Paris-based women's wear brand Paule Ka was HK$13,440,000.

Distribution business of the Group's 50% owned designer jewelry brand, Life of Circle, achieved satisfactory results through 3 POS in Hong Kong. During the Period, distribution business for Life of Circle achieved a turnover of HK$5,316,000. The Group believes the Life of Circle brand has enormous long-term potential and it is a matter of time for the brand to reach the critical mass.

Future Plans

During the review period, the global financial crisis has begun to affect consumer spending in the Greater China region. In the interests of shareholders, the Group has immediately implemented measures to cut down costs as well as scale-down its retail operations. The Board also considers it necessary to diversify the Group's income base by entering into industries that are less affected by the expected persistent economic downturn.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Track record of the Group

The table below sets out the consolidated income statements of the Group for each of the 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	
	2007	2006	2005	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)		
Turnover	10,639	9,375	17,965	23,006	10,994
Cost of sales	(858)	(537)	(16,092)	(1,594)	(429)
Gross profit	9,781	8,838	1,873	21,412	10,565
Other revenue	3,205	5,699	2,066	3,402	2,147
Other income	106,956	200	7,110	—	106,956
Fair value changes of investment properties	43,853	590	—	(66,751)	—
Impairment loss recognised in respect of goodwill	(37,828)	—	(12,056)	(142,347)	—
Impairment loss recognised in respect of film rights	—	—	(8,956)	—	—
Selling expenses	—	—	(29)	—	—
Administrative expenses	(67,623)	(26,811)	(19,332)	(39,307)	(59,734)
Profit/(loss) from operations	58,344	(11,484)	(29,324)	(223,591)	59,934
Finance costs	(19,494)	(9,615)	(340)	(19,705)	(13,718)
Profit/(loss) before taxation	38,850	(21,099)	(29,664)	(243,296)	46,216
Taxation	(13,156)	(195)	—	33,311	—
Net profit/(loss) for the year/period	25,694	(21,294)	(29,664)	(209,985)	46,216

Overview

The Group is principally engaged in the distribution of films, sub-licensing of film rights, sales of financial assets, property investment and provision of management services.

The table below sets out the breakdown of the Group's turnover by major business activities for the 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	
	2007	2006	2005	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)		
Distribution of films	—	164	9,382	—	—
Sub-licensing of film rights	—	200	10,534	2,000	—
Sale of financial assets at fair value through profit or loss, net	7,722	7,128	(1,951)	(951)	8,790
Service fee income	—	—	—	4,742	—
Rental income	2,917	1,883	—	17,215	2,204
	10,639	9,375	17,965	23,006	10,994

Distribution of films

The Group distributes its films in video format for home entertainment in the PRC.

The Group's film distribution business has been adversely affected by the rampant piracy and a decline in popularity of Hong Kong-made movies since 2004. These difficult market conditions placed price pressure on the Group's films. As a result, the Group became more cost cautions in acquiring film rights and reduced the number of new films released.

In response to the weak market conditions in the PRC, the Group adopted a cautious approach in acquiring film rights and further reduced the number of new films released in 2005 and 2006. In view of the downturn in Hong Kong film industry, Hong Kong film production companies had reduced their productions in 2007. As a result, the Group was not able to source a sufficient number of quality films at reasonable prices for distribution and/or sub-licensing. Accordingly, no revenue was generated from the Group's film distribution business.

Sub-licensing of film rights

The Group sub-licenses the whole or part of its distribution rights to films to cinema operators, other distributors or operators of pay or free-to-air television, cable television and hotel in-house video for a limited period of usually five to seven years.

The lifting of foreign film quota restrictions by the PRC Government in 2004 had intensified the competition between Hollywood and Hong Kong. As the PRC first-tier cinemas have strong preference for exhibiting Hollywood films and the local television stations illegally broadcast the Group's films, the film sub-licensing business was adversely affected.

Sales of financial assets

With a view to generating an adequate return on its assets, the Group commenced its business in sales of financial assets in 2004. The Group mainly invests in listed securities in Hong Kong. As volatility in equity market remained high, the Group sold all of its financial assets in the second half of 2007. The trading in financial assets in the nine months ended 30 September 2008 was minimal.

Property investment

In view of rampant piracy and weak demand for Hong Kong-made movies in the PRC, the Group has diversified and broadened its revenue sources by acquiring the JV Company on 21 June 2006. The major asset of the JV Company is the Property.

Following the acquisition of the JV Company, the Property was under renovation and the rental income for the two years ended 31 December 2006 and 2007 was generated from the leasing of the ground floor of the Property to a restaurant operator. As the Property has commenced its operations in June 2008, the rental income in the nine months ended 30 September 2008 increased significantly.

During the nine months ended 30 September 2008, rental income of HK$16,033,000 was generated from a number of short-term leases in the "Olympic Month – August 2008". As the PRC Government carried out a tightening visa policy 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, the Group's ability to sign long-term leases has been adversely affected.

Provision of management services

To diversify its revenue sources and improve its profitability, the Group expanded into the provision of management services business by acquiring Rich Daily Group Limited on 29 August 2008. Rich Daily Group Limited is a management services provider to concierge departments of gaming promoters in Macau. The monthly service fee income earned by Rich Daily Group Limited is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoters.

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

Turnover

For the year ended 31 December 2005, the Group's turnover amounted to HK$17,965,000, representing a decrease of 53% as compared with the year ended 31 December 2004. The decrease was mainly attributable to a decrease in the number of films distributed and sub-licensed resulting from the adopting of a cautious approach in acquiring film rights by the Group.

The Group's turnover further decreased from HK$17,965,000 in the year ended 31 December 2005 to HK$9,375,000 in the year ended 31 December 2006. The decrease was mainly attributable to the slow down of the Group's film distribution activities resulted from the difficult market conditions.

The Group recorded a turnover of HK$10,639,000 for the year ended 31 December 2007, a 13% increase from HK$9,375,000 for the same period of the previous year. The increase was mainly attributable to a HK$1,034,000 increase in rental income resulted from the full year effect of the rental income of the JV Company and a HK$594,000 increase in sales of financial assets. As the number of films produced by Hong Kong film production companies decreased in 2007, the Group was not able to source a sufficient number of quality films at reasonable prices for distribution and/or sub-licensing. Accordingly, no revenue was generated from the Group's film distribution business.

During the nine months ended 30 September 2008, the Group recorded a turnover of HK$23,006,000, an 109% increase as compared to HK$10,994,000 in the nine months ended 30 September 2007. The increase was mainly attributable to a HK$15,011,000 increase in rental income resulted from the commencement of operations of the Property in June 2008, a service fee income of HK$4,742,000 generated from the newly expanded provision of management services business and a HK$2,000,000 generated from the sale of the Group's film library, which were partly offset by the decrease in sales of financial assets.

Cost of sales and gross profit margin

Cost of sales for film distribution and sub-licensing of film rights decreased from HK$32,436,000 in the year ended 31 December 2004 to HK$16,092,000 in the year ended 31 December 2005. The decrease was attributable to a decrease in amortisation of film rights resulting from the decrease in the number distributed and sub-licensed. Gross profit margin for film distribution and sub-licensing of film rights dropped from 26% in the year ended 31 December 2004 to 19% in the year ended 31 December 2005. The drop in gross profit margin was attributed to the better margins the Group obtained from the delivery of 108 old films in 2004, the cost of which had already been almost fully amortised.

Cost of sales for the year ended 31 December 2006 amounted to HK$537,000, of which HK$266,000 was related to film distribution and sub-licensing of film rights and HK$271,000 was related to property investment. Cost of sales for film distribution and sub-licensing of film rights decreased from HK$16,092,000 for the year ended 31 December 2005 to HK$266,000 for the year ended 31 December 2006. The decrease was attributed to the slow down of the Group's film distribution activities. Gross profit margin for film distribution and sub-licensing of film rights improved from 19% in the year ended 31 December 2005 to 27% in the year ended 31 December 2006. The improvement in gross profit margin was attributed to the cost of certain films sold in 2006 had already been fully amortised. Gross profit for property investment amounted to HK$1,612,000.

The Group's cost of sales for the year ended 31 December 2007 amounted to HK$858,000, which was wholly related to property investment. Gross profit for property investment amounted to HK$2,059,000 in the year ended 31 December 2007. As the Property was under renovation during the year, the contribution represented the rental income generated from the leasing of the ground floor of the Property to a restaurant operator.

Cost of sales for the nine months ended 30 September 2008 amounted to HK$1,594,000, which was wholly related to property investment. The gross profit margin for property investment improved from 81% in the nine months ended 30 September 2007 to 91% in the nine months ended 30 September 2008 as the Group was able to charge a high rental rate in the "Olympic Month – August 2008". The gross profit margin for the sale of the Group's film library was 100% as the cost of the film library had been fully amortised and/or impaired in previous years. The gross profit margin for service fee income was also 100% as the Group was not required to incur any direct expenses in generating such income.

Other revenue

Other revenue increased from HK$2,066,000 in the year ended 31 December 2005 to HK$5,699,000 in the year ended 31 December 2006. The increase was mainly attributed to the increase in bank interest income of HK$2,975,000 resulting from the top-up placing of new shares raising HK$131,179,000 in September 2005.

Other revenue decreased from HK$5,699,000 in the year ended 31 December 2006 to HK$3,205,000 in the year ended 31 December 2007. The decrease was mainly due to the decrease in bank deposit interest income.

Other revenue increased from HK$2,147,000 in the nine months ended 30 September 2007 to HK$3,402,000 in the nine months ended 30 September 2008. The increase was mainly attributed to the increase in interest on bank deposits resulted from the increase in the average monthly balances of the Group's cash and bank.

Other income

For the year ended 31 December 2005, other income represented a gain of HK$7,110,000 arising from the sale of the Group's leasehold land and buildings in July 2005.

Other income for the year ended 31 December 2006 amounted to HK$200,000, representing a reversal of overprovision of accruals in previous year.

Other income increased from HK$200,000 in the year ended 31 December 2006 to HK$106,956,000 in the year ended 31 December 2007. The substantial increase was attributed to the recognition of the one-off gain arising from the loan interest waived by China Merchants Bank of HK$106,956,000.

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

Fair value changes of the Property

As at 31 December 2007, the Property was valued at HK$887,450,000 by the independent qualified professional valuers. As a result, the Group recognised an increase in fair value of the Property of HK$43,853,000 in the year ended 31 December 2007.

In view of the recent downturn in the PRC's property market, the Group recognised a decrease in fair value of the Property of HK$66,751,000 in the nine months ended 30 September 2008 with reference to the valuation performed by the independent qualified professional valuers valuing the Property at HK$905,393,000 as at 30 September 2008.

Impairment loss recognised in respect of goodwill

As at 31 December 2005, the Group reviewed the carrying amounts of goodwill arising from the acquisitions of World East and Gainful Fortune Limited, in light of the difficult operating environments of film exhibition and hotel media in the PRC, the Group recognised the impairment losses of HK$4,400,000 and HK$7,656,000 in the year ended 31 December 2005 respectively.

As at 31 December 2007, the Group reassessed the recoverable amount of the cash generating units allocated to the goodwill arising from the acquisition of Shinhan-Golden with reference to the valuation performed by an independent professional valuer and determined that an impairment loss of HK$37,828,000 was recognised in the year ended 31 December 2007.

As at 30 September 2008, the Group reassessed the recoverable amounts of the cash generating units allocated to the goodwill arising from the acquisitions of Shinhan-Golden and Rich Daily Group Limited with reference to the valuations performed by an independent professional valuer and determined that the goodwill was fully impaired. As a result, an impairment loss of HK$142,347,000 was recognised in the nine months ended 30 September 2008.

Administrative expenses

Administrative expenses (net of depreciation, impairment losses and loss on disposal of property, plant and equipment) amounted to HK$23,008,000 for the year ended 31 December 2006, a 58% increase from HK$14,552,000 for the year ended 31 December 2005. The increase was mainly attributed to the Group's expansion into the property investment business in June 2006 and the engagements of external consultants for the renovation works of the Property.

Administrative expenses (net of depreciation, impairment losses and loss on disposal of property, plant and equipment) further increased from HK$23,008,000 in the year ended 31 December 2006 to HK$66,453,000 in the year ended 31 December 2007. The increase was mainly attributable to the full year effect of the engagements of external consultants for the renovation works of the Property, the payment of pre-operating services fee to SHAMA and the share-based payment expenses of HK$32,282,000 in relation to the share options granted to the Group's employees and consultants.

Administrative expenses (net of depreciation, impairment losses and loss on disposal of property, plant and equipment) decreased from HK$58,879,000 in the nine months ended 30 September 2007 to HK$35,874,000 in the nine months ended 30 September 2008. The decrease was mainly attributable to a HK$28,674,000 decrease in share-based payment expenses in relation to the share options granted to the Group's employees and consultants, which was partly offset by a HK$1,689,000 increase in salaries and contribution to retirement benefits scheme.

Finance costs

Finance costs for the year ended 31 December 2005 amounted to HK$340,000. It consisted of interest expenses on the convertible notes payable to First-Up Investments Limited ("First-Up"), a wholly-owned subsidiary of China Star Entertainment Limited ("China Star") of HK$100,000, interest expenses on a loan payable to China Star of HK$238,000 and interest expenses on a finance lease of HK$2,000.

Finance costs increased from HK$340,000 in the year ended 31 December 2005 to HK$9,615,000 in the year ended 31 December 2006. The increase was attributable to the inclusion of the interest expenses of the RMB secured bank loan granted by China Merchants Bank of HK$9,515,000 following the completion of the acquisition of Shinhan-Golden on 21 June 2006.

Finance costs further increased from HK$9,615,000 in the year ended 31 December 2006 to HK$19,494,000 in the year ended 31 December 2007. The substantial increase was attributable to the full year effect of the interest expenses of the JV Company.

Finance costs for the nine months ended 30 September 2008 amounted to HK$19,705,000, a 44% increase as compared to HK$13,718,000 in the nine months ended 30 September 2007. The increase was attributable to the increase in the average balances of the Hang Seng Loan resulted from the payments of renovation costs in respect of the Property.

Taxation

No provision for tax was made for the year ended 31 December 2005 as the Group either had no estimated assessable profits or its estimated assessable profits were wholly absorbed by estimated tax losses brought forward.

The taxation charge for the year ended 31 December 2006 represented a transfer of deferred tax to income statement, which was arisen from the increase in the fair value of the Property recognised.

The taxation charge for the year ended 31 December 2007 represented a provision for deferred taxation arising from the increase in the fair value of the Property recognised.

During the nine months ended 30 September 2008, the Group and Inland Revenue Department reached a compromise settlement of HK$12,021,000, which included a surcharge of HK$3,637,000, for settling a tax dispute over the offshore claims of sub-licensing income. As a provision for taxation of HK$22,238,000 had been made in the Company's audited consolidated financial statements, a tax credit of HK$13,854,000 was recognised. In addition, a tax credit of HK$20,026,000 was arisen from the transfer of deferred tax to income statement in relation to the recognition of the decrease in the fair value of the Property in the nine months ended 30 September 2008. These tax credits were partly offset by the current tax charge of HK$569,000.

Net profit/loss for the year/period

Net loss improved from HK$29,664,000 for the year ended 31 December 2005 to HK$21,294,000 for the year ended 31 December 2006. The improvement was mainly attributable to no impairment losses recognised in respect of film rights and goodwill, which was partially offset by the increases in administrative expenses of HK$7,479,000 and finance costs of HK$9,275,000 resulted from the Group's expansion into property investment business.

The Group recorded a net profit of HK$25,694,000 in the year ended 31 December 2007, whereas the Group recorded a net loss of HK$21,294,000 in the year ended 31 December 2006. The turnaround was attributable to the recognition of the one-off gain arising from the loan interest waived by China Merchants Bank of HK$106,956,000 and the increase in fair value of the Property of HK$43,853,000, which were partially offset by the impairment loss recognised in respect of goodwill of HK$37,828,000 and the increases in administrative expenses and finance costs.

Net profit for the nine months 30 September 2007 amounted to HK$46,216,000, whereas a net loss of HK$209,985,000 was posted in the nine months 30 September 2008. The deterioration was mainly attributed to the recognition of the decrease in fair value of the Property of HK$66,751,000 and the impairment loss in respect of goodwill of HK$142,347,000 in the nine months ended 30 September 2008. This deterioration was partly offset by the tax credit as explained above. The Group's results was further deteriorated by the one-off gain arising from the loan interest waived by China Merchants Bank of HK$106,956,000 recognised in the nine months ended 30 September 2007, whereas no such gain was recorded in the nine months ended 30 September 2008.

Analysis on the financial position of the 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 2007 and the nine months ended 30 September 2008, the Group funded its operations from cash generated from operations, the convertible notes payable issued by the Company to First-Up, issuance of new shares, the one-year term loan granted by China Star, cash advanced from China Star and its subsidiaries, bank borrowings and convertible notes.

As at 31 December 2005, the cash and bank balances of the Group amounted to HK$137,973,000 and total borrowings amounted to HK$34,832,000, comprising the one-year term loan of HK$33,800,000 granted by China Star, which was unsecured, interest bearing at 1% per annum and maturing on 19 April 2006, and the amounts due by the Group to China Star's subsidiaries of HK$1,032,000 which were unsecured, interest-free and had no fixed terms of repayment. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 21%.

As at 31 December 2006, the cash and bank balances of the Group amounted to HK$63,140,000 and the total borrowings of the Group amounted to HK$358,033,000, 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; the interest portion of the RMB secured bank loan granted by China Merchants Bank of HK$106,957,000; and the amounts due by the Group to China Star's subsidiaries of HK$606,000 which were unsecured, interest-free and had no fixed terms of repayment. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 90%.

As at 31 December 2007, the cash and bank balances of the Group amounted to HK$531,396,000, of which HK$16,832,000 was pledged to Hang Seng Bank, Fuzhou Branch for securing the Hang Seng Loan, and the total borrowings of the Group amounted to HK$329,719,000, comprising the Hang Seng Loan of HK$329,018,000 which was secured by certain of the Property, a corporate guarantee given by the Company and the bank 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; and the amounts due by the Group to China Star and its subsidiary of HK$701,000 which were unsecured, interest-free and had no fixed terms of repayment. The Group expresses its gearing ratio as a percentage of total borrowings over equity attributable to equity holders of the Company. As at 31 December 2007, the Group's gearing ratio was 32%.

As at 30 September 2008, the cash and bank balances of the Group amounted to HK$104,553,000, of which HK$28,679,000 was pledged Hang Seng Bank, Fuzhou Branch for securing the Hang Seng Loan, and the total borrowings of the Group amounted to HK$423,624,000, 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; the advances from China Star and its subsidiaries of HK$660,000 which were unsecured, interest-free and had no fixed terms of repayment; and the liability component of the convertible notes issued to Well Will Investment Limited of HK$102,685,000 which was unsecured, interest bearing at 5% per annum and maturing on 28 August 2018. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 46%.

Charges on assets

As at 31 December 2005, the Group did not have any mortgage or charge.

As at 31 December 2006, the Property with a fair value of HK$678,000,000 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 assets

The net current assets of the Group amounted to HK$164,020,000, HK$53,882,000, HK$491,885,000 and HK$44,482,000 as at 31 December 2005, 2006 and 2007 and 30 September 2008 respectively.

The current ratios of the Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 were 3.43, 1.49, 5.19 and 1.36 respectively.

Material acquisitions and disposals of subsidiaries and associated companies

In March 2004, the Group acquired 40% of the issued share capital of Rainbow Choice Enterprises Limited ("Rainbow Choice") by investing HK$30,000,000. Rainbow Choice engaged in the business of producing and distributing of entertainment news programmes in the PRC. The acquisition facilitated the Group's expansion into the PRC television advertising business. As the performance of Rainbow Choice was not satisfactory, the Group entered into an agreement with the other shareholder of Rainbow Choice in April 2005. Under the agreement, the Group would own the intellectual property rights of the contents produced by Rainbow Choice and the other shareholder of Rainbow Choice would repay the production and distribution fees of HK$18,000,000 to the Group.

In April 2005, the Group exercised its right to convert the outstanding principal amount of the convertible notes of HK$160,000,000 issued by Gainful Fortune Limited into the shares of Gainful Fortune Limited. Gainful Fortune Limited and Ocean Shore Licensing Limited became subsidiaries of the Company.

On 21 June 2006, the Group acquired (a) a 100% of the issued share capital of Shinhan-Golden and (b) the debts owed by Shinhan-Golden to Northbay Investments Holdings Limited ("Northbay"), at an aggregate consideration of HK$266,064,350. Shinhan-Golden is an investment holding vehicle and its major asset is the 96.7% equity interest in the JV Company. The JV Company is the registered owner of the Property.

On 11 May 2007, the Group entered into a joint venture agreement with Steve Leung Hotel Design and Management Limited ("SLHDML"), a company beneficial owned by Mr. Steve Leung, for the purpose of setting up of a joint venture company, namely Best Season Holdings Corp. ("Best Season"). Best Season is owned as to 75% by the Company and as to 25% by SLHDML. Best Season has been established to invest in, manage and conduct branding for real estate and/or related properties in Macau including but not limited to hotel(s), serviced apartment(s), restaurant(s), retail(s), catering(s), resort(s), club(s), residential(s) and any other service position.

On 19 July 2007, the Group entered into a conditional sale and purchase agreement with Ms. Chen Ming Yin, Tiffany, an executive Director, pursuant to which the Group would acquire a 100% interest in the issued share capital of Modern Vision (Asia) Limited, a company wholly-owned by Ms. Chen Ming Yin, Tiffany, at a consideration of HK$684,000,000 (subject to adjustment). The consideration shall be satisfied in cash. The major asset of Modern Vision (Asia) Limited is its indirect 50% interest in a lot of land with the area of 4,669 square meters located in the Nam Van Lakes Zone, Macau. The proposed acquisition was not approved by the independent Shareholders at the special general meeting of the Company held on 21 November 2007.

On 1 August 2007, the Group entered into a conditional sale and purchase agreement with China Star, a substantial Shareholder, pursuant to which the Group would acquire a 100% interest in the issued share capital of Exceptional Gain Profits Limited, a wholly-owned subsidiary of China Star, and a sale loan at a consideration of HK$447,000,000. The consideration shall be satisfied by the issue of a convertible note. Exceptional Gain Profits Limited is an investment-holding vehicle, which indirectly holds a 50% interest in Kingsway Hotel Limited. The proposed acquisition was approved by the independent Shareholders at the special general meeting of the Company held on 31 December 2007. As the request for changing security provided in relation to Kingsway Hotel Limited had been made for more than one year since the announcement of the conditional sale and purchase agreement on 8 August 2007. The Group and China Star had determined not to keep their shareholders and investors lingering on the status of the proposed acquisition or the proposed disposal, as the case may be. Accordingly, the Group and China Star entered into a termination agreement to terminate the conditional sale and purchase agreement on 23 December 2008.

On 28 February 2008, the Group entered into a conditional sale and purchase agreement with Well Will Investment Limited and Mr. Ng Cheuk Fai relating to the proposed acquisition of a 100% of the issued share capital of Rich Daily Group Limited from Well Will Investment Limited at an initial consideration of HK$504,000,000 (subject to adjustment). Rich Daily Group Limited is a management services provider to the concierge department of a gaming promoter. The monthly service fee earned by Rich Daily Group Limited is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoter. The initial consideration will be settled by the Group paying HK$360,000,000 in cash and issuing of convertible bonds in an aggregate principle amount of HK$144,000,000, with an initial conversion price of HK$1.60 per conversion share. The proposed acquisition was approved by the Shareholders on 27 June 2008 and completed on 29 August 2008.

On 29 May 2008, the Group acquired the remaining 3.3% interest in the registered capital of the JV Company from Beijing Urban Development Group Co. Ltd. at a net consideration of RMB84,000 (equivalent to HK$105,000), after deducting an amount of RMB4,150,000 (equivalent to HK$4,718,000) paid to Beijing Urban Development Group Co. Ltd. in 1997 by Shinhan-Golden.

Contingent liabilities

As at 31 December 2005 and 2007, the Group did not have any material contingent liabilities.

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

(a) A writ of summons and statement of claim was made by CL3 Architects Limited against the JV Company for a claim of approximately HK$2,500,000 over design contracts for the Property with the JV Company. In the opinion of the Directors, the outcome of this case is yet to be certain and considered no provision should be made.

(b) 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 non-repayment 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 15 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 appealed to the PRC court. The PRC court is processing the appeal. In the opinion of the Directors, no provision should be made for this liability as the sale proceed of the apartment unit has been totally received by the JV Company and the legal title of the apartment unit remains with the JV Company.

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

On 21 December 2004, the Company announced that every one ordinary share of HK$0.10 each in the issued and unissued share capital of the Company be subdivided into ten ordinary shares of HK$0.01 each in the issued and unissued share capital of the Company. The share subdivision was approved by the Shareholders at the special general meeting of the Company held on 14 January 2005. The share subdivision took effect on 17 January 2005.

In September 2005, the Company issued 400,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company at a price of HK$0.34 per share by way of a vendor placing and top-up subscription raising HK$131,179,000 (net of expenses) for investment in other relevant business opportunities that might arise in the future and general working capital of the Group.

On 21 June 2006, the Company issued 1,330,321,745 new ordinary shares of HK$0.01 each in the share capital of the Company at a price of HK$0.20 per share to Northbay to settle the consideration of HK$266,064,350 in respect of the acquisition a 100% of the issued share capital of Shinhan-Golden and the debts owed by Shinhan-Golden to Northbay.

On 30 March 2007, 1,296,860,000 new ordinary shares of HK$0.01 each in the share capital of the Company were allotted and issued at a price of HK$0.04 per share by way of top-up placing raising HK$50,500,000 (net of expenses) for financing possible diversified investments of the Group and general working capital of the Group.

On 4 April 2007, the Company announced that every ten ordinary share of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one ordinary share of HK$0.10 each in the issued and unissued share capital of the Company. The share consolidation was approved by the Shareholders at the special general meeting of the Company held on 18 May 2007. The share consolidation took effect on 21 May 2007.

On 17 May 2007, 324,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company were allotted and issued at an exercise price of HK$0.047 per share pursuant to the exercise of share options granted to the Group's employees and consultants.

On 31 May 2007, 155,620,000 new ordinary shares of HK$0.01 each in the share capital of the Company were allotted and issued at a price of HK$0.55 per share by way of placement raising HK$83,300,000 (net of expenses) for financing possible diversified investments of the Group and general working capital of the Group.

On 11 July 2007, 162,100,000 new ordinary shares of HK$0.01 each in the share capital of the Company were allotted and issued at a price of HK$0.50 per share by way of placing of new shares under general mandate. The net proceeds of HK$78,900,000 were intended to be used for expansion of the Group's investment business.

On 7 August 2007, 173,000,000 new ordianry shares of HK$0.01 each in the share capital of the Company were allotted and issued at a price of HK$0.83 per share by way of top-up placing. The net proceeds of HK$139,800,000 were intended to be used for expansion of the Group's property investment business.

On 18 December 2007, 650,619,987 new ordinary shares of HK$0.01 each in the share capital of the Company were allotted and issued at a price of HK$0.30 per share by way of open offer to the qualifying Shareholders on the basis of one offer share for every two ordinary shares of HK$0.01 each. The net proceeds of HK$189,000,000 were intended to be used for the proposed acquisition of 100% equity interest in Modern Vision (Asia) Limited as disclosed in the Company's announcement dated 23 July 2007 and circular dated 5 November 2007 and general working capital of the Group.

On 19 March 2008, the Board proposed the following changes to the capital of the Company (the "Capital Reorganisation"):

(a) share consolidation: that every ten issued and unissued existing ordinary shares of HK$0.10 each in the share capital of the Company be consolidated into one share of HK$1.00 each (the "Consolidated Share") in the share capital of the Company;

(b) capital reduction: that the issued Consolidated Shares be reduced by cancelling from the paid-up capital thereof to the extent of HK$0.99 of each issued Consolidated Share and reducing the nominal value of all the Consolidated Shares comprising the authorised share capital of the Company from HK$1.00 each to HK$0.01 each; and

(c) share premium cancellation: that the entire amount of HK$813,058,000 standing to the credit of the share premium account of the Company at 31 December 2007 be cancelled and such credit amount arising from the share premium cancellation be applied to the contributed surplus account of the Company where it will be utilised by the board of directors in accordance with bye-laws of the Company and all applicable laws, including to eliminate the accumulated losses of the Company of HK$518,374,000 at 31 December 2006 entirely.

The Capital Reorganisation was approved by the Shareholders at the special general meeting of the Company held on 30 April 2008 and took effect on 2 May 2008

In April 2008, 10,009 ordinary shares of HK$0.10 each in the share capital of the Company were allotted and issued at an exercise price of HK$0.1146 per share pursuant to the exercise of share options granted to an employee of the Group.

Exchange risk and hedging

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

Staff, remuneration policies and share option scheme

As at 31 December 2005, 2006 and 2007 and 30 September 2008, the Group employed 28, 59, 70 and 90 staff respectively. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include medical scheme and share options.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Analysis on the results of operations of the Remaining Group during the year ended 31 December 2007

Turnover

The Remaining Group recorded a turnover of HK$7,722,000 for the year ended 31 December 2007, an 18% decrease from HK$9,375,000 for the same period of the previous year. The decrease was mainly attributed to the disposal of the Shinhan-Golden Group as the Shinhan-Golden Group generated a rental income of HK$1,883,000 in 2006. As the number of films produced by Hong Kong film production companies decreased in 2007, the Group was not able to source a sufficient number of quality films at reasonable prices for distribution and/or sub-licensing. Accordingly, no revenue was generated from the Group's film distribution business.

Cost of sales and gross profit margin

Cost of sales for the year ended 31 December 2006 amounted to HK$537,000, of which HK$266,000 was related to film distribution and sub-licensing of film rights and HK$271,000 was related to property investment. No cost of sales was recorded in the year ended 31 December 2007 as the Remaining Group disposed the Shinhan-Golden Group and no revenue generated from the Remaining Group's film business.

Other revenue

Other revenue increased from HK$5,699,000 in the year ended 31 December 2006 to HK$13,533,000 in the year ended 31 December 2007. The significant increase was attributed to the inclusion of the effective interest income of the Promissory Note and imputed interest income on the debt element of the Convertible Note.

Other income

Other income for the year ended 31 December 2006 amounted to HK$200,000, representing a reversal of overprovision of accruals in previous year. No such income was recorded in the year ended 31 December 2007.

Share of loss of an associate

The share of loss of an associate of HK$18,780,000 representing the Remaining Group's share of the GC Group's loss for the year ended 31 December 2007.

Impairment loss recognised in respect of goodwill

As at 31 December 2007, the Group reassessed the recoverable amount of the cash generating units allocated to the goodwill arising from the acquisition of Shinhan-Golden with reference to the valuation performed by an independent professional valuer and determined that an impairment loss of HK$37,828,000 was recognised in the year ended 31 December 2007.

Gain on disposal of subsidiaries

A gain on disposal of subsidiaries of HK$21,719,000 was recorded as the Remaining Group disposed the Shinhan-Golden Group and the World East Group on 1 January 2007.

Administrative expenses

Administrative expenses (net of depreciation, impairment losses and loss on disposal of property, plant and equipment) further increased from HK$23,008,000 in the year ended 31 December 2006 to HK$54,817,000 in the year ended 31 December 2007. The increase was mainly attributable to the share-based payment expenses of HK$32,282,000 in relation to the share options granted to the Group's employees and consultants.

Finance costs

No finance costs were incurred in the year ended 31 December 2007 as the Remaining Group disposed the Shinhan-Golden Group on 1 December 2007.

Taxation

No provision for tax was made in the year ended 31 December 2007 as the Remaining Group either has no estimated assessable profits or its estimated assessable profits were wholly absorbed by the estimated tax losses brought forward.

Net loss for the year

The Remaining Group reported a net loss of HK$8,391,000 for the year ended 31 December 2007, a 59% improvement as compared to the previous year. The improvement was mainly attributed to the recognition of an increase in fair value of conversion option element embedded in the Convertible Note of HK$60,636,000, a HK$9,615,000 decrease in finance costs, a gain of disposal of subsidiaries of HK$21,719,000 and a HK$7,834,000 increase in other revenue, which were partly offset by the share of loss of an associate of HK$18,780,000, a HK$28,582,000 increase in administrative expenses, and the recognition of an impairment loss in respect of goodwill of HK$37,828,000.

Analysis on the financial position of the Remaining Group during the nine months ended 30 September 2008

Liquidity and financial resources

During the nine months ended 30 September 2008, the Remaining Group funded its operations from cash generated from operations, cash advanced from China Star and its subsidiaries and convertible notes.

As at 30 September 2008, the cash and bank balances of the Remaining Group amounted to HK$8,961,000 and the total borrowings of the Remaining Group amounted to HK$103,345,000, comprising the advances from China Star and its subsidiaries of HK$660,000 which are unsecured, interest-free and had no fixed terms of repayment; and the liability component of the convertible notes issued to Well Will Investment Limited of HK$102,685,000 which are unsecured, interest bearing at 5% per annum and maturing on 28 August 2018. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 13%.

Charges on assets

As at 30 September 2008, the Remaining Group did not have any mortgage or charge.

Net current assets

The net current assets of the Remaining Group amounted to HK$353,264,000 as at 30 September 2008.

The current ratio of the Remaining Group was 9.78 as at 30 September 2008.

Material acquisitions and disposals of subsidiaries

On 1 August 2007, the Remaining Group entered into a conditional sale and purchase agreement with China Star, a substantial Shareholder, pursuant to which the Remaining Group would acquire a 100% interest in Exceptional Gain Profits Limited, a wholly-owned subsidiary of China Star, and a sale loan from China Star at a consideration of HK$447,000,000. Exceptional Gain Profits Limited is an investment-holding vehicle, which indirectly holds a 50% interest in Kingsway Hotel Limited. The proposed acquisition was approved by the independent Shareholders on 31 December 2007. As the request for changing security provided in relation to Kingsway Hotel Limited had been made for more than one year since the announcement of the conditional sale and purchase agreement on 8 August 2007. The Remaining Group and China Star had determined not to keep their shareholders and investors lingering on the status of the proposed acquisition or the proposed disposal, as the case may be. Accordingly, the Remaining Group and China Star entered into a termination agreement to terminate the conditional sale and purchase agreement on 23 December 2008.

On 28 February 2008, the Remaining Group entered into a conditional sale and purchase agreement with Well Will Investment Limited and Mr. Ng Cheuk Fai relating to the proposed acquisition of a 100% of the issued share capital of Rich Daily Group Limited from Well Will Investment Limited at an initial consideration of HK$504,000,000 (subject to adjustment). Rich Daily Group Limited is a management services provider to the Concierge Department of a gaming promoter. The monthly service fee earned by Rich Daily Group Limited is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoter. The initial consideration will be settled by the Remaining Group paying HK$360,000,000 in cash and issuing of convertible bonds in an aggregate principal amount of HK$144,000,000, with an initial conversion price of HK$1.60 per conversion share. The proposed acquisition was approved by the Shareholders on 27 June 2008 and completed on 29 August 2008.

Contingent liabilities

As at 30 September 2008, the Remaining Group did not have any material contingent liabilities.

Capital structure

On 19 March 2008, the Board proposed the following changes to the capital of the Company (the "Capital Reorganisation"):

(a) share consolidation: that every ten (10) issued and unissued existing ordinary shares of HK$0.10 each in the share capital of the Company be consolidated into one (1) ordinary share of HK$1.00 each (the "Consolidated Share") in the share capital of the Company;

(b) capital reduction: that the issued Consolidated Shares be reduced by cancelling from the paid-up capital thereof to the extent of HK$0.99 of each issued Consolidated Share and reducing the nominal value of all the Consolidated Shares comprising the authorised share capital of the Company from HK$1.00 each to HK$0.01 each; and

(c) share premium cancellation: that the entire amount of HK$813,058,000 standing to the credit of the share premium account of the Company at 31 December 2007 be cancelled and such credit amount arising from the share premium cancellation be applied to the contributed surplus account of the Company where it will be utilised by the board of directors in accordance with bye-laws of the Company and all applicable laws, including to eliminate the accumulated losses of the Company of HK$518,374,000 at 31 December 2006 entirely.

The Capital Reorganisation was approved by the Shareholders at the special general meeting of the Company held on 30 April 2008 and took effect on 2 May 2008

In April 2008, 10,009 ordinary shares of HK$0.10 each in the share capital of the Company were allotted and issued at an exercise price of HK$0.1146 per share pursuant to the exercise of share options granted to an employee of the Remaining Group.

Exchange risk and hedging

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

Staff, remuneration policies and share option scheme

As at 30 September 2008, the Remaining Group employed 22 staff. Employees are remunerated according to their performance and work experience. In addition to basis salaries and retirement scheme, staff benefits include medical scheme and share options.

The following is the text of the letter and valuation report received from Grant Sherman Appraisal Limited and addressed to the Company in connection with its valuation as at 30 November 2008 on the Property, which has been prepared for the purpose of incorporation in this circular.

GRANT SHERMAN APPRAISAL LIMITED

Room 1701, 17/F
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

23 January 2009

The Directors
China Star Investment Holdings Limited
Unit 3408, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests of China Star Investment Holdings Limited or its subsidiaries (together referred as "the Group") located in the People's Republic of China ("PRC"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 November 2008 (the "Valuation Date").

Our valuation is our opinion of market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

We have valued the property interest by direct comparison approach assuming sale in their existing state by making reference to comparable sales evidences as available in the relevant market.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the property value.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In the course of our valuation, we have assumed that all consents, approvals and licenses from relevant government authorities for the property have been granted or can be obtained and renewed without any onerous conditions or undue time delay which might affect its value.

We have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term as granted and is entitled to transfer the properties with the residual term without payment of any further premium to the government authorities or any third parties.

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and PN 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

We have been provided with copies of extracts of title documents relating to the properties. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. Due to the nature of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might be attached to the properties. In the preparation of our valuation report regarding the property in the PRC, we have relied to the considerable extent on the legal opinion provided by the Company's legal adviser, Beijing Sino-Promise Law Firm on the PRC laws regarding the titles of the property in the PRC.

In the course of our valuation, we have relied on a considerable extent on the information provided by the Company on such matters as property title, statutory notices, easements, tenure, occupation, site and floor areas, identification of the property and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information supplied. All documents have been used as reference only. All dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the properties in respect of which we have been provided with such information as we have required for the purpose of our valuations. However, no structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structure which were covered, unexposed or inaccessible. We are therefore, unable to report that the properties are free of rot, infestation or any structural defect. No tests have been carried out on any of the building services.

Unless otherwise specified, all amounts are denominated in Renminbi.

We enclose herewith our valuation certificate.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Peggy Y.Y. Lai
MRICS MHKIS RPS (GP)
Associate Director
Real Estate Group

Note: Ms. Peggy Y.Y. Lai is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 5 years experience in the valuation of properties in Hong Kong, the PRC and the Asian Region.

VALUATION CERTIFICATE

Group I — Property interest held by the Group in the PRC for investment purpose

Property	Description	Particulars of Occupancy	Market Value as at 30 November 2008 *(RMB)*
1. Serviced apartment blocks, excluding 17 apartment units and 13 carparking spaces located at Inner Jiangguo Gate of Dongcheng District, Beijing, the PRC (currently known as No. 9 Gongyaun Xijie, Dongcheng District, Beijing, the PRC) ("Property")	Serviced apartment blocks is erected on a site with a site area of 5,679.75 sq.m. It consists of two buildings, the main building and the ancillary building completed in about 2000. The Property comprises portion of the subject buildings with a total gross floor area of about 44,158.24 sq.m. It consists of 208 rooms together with ancillary facilities for serviced apartment purpose.	As at the date of valuation, Property with a total gross floor area of about 2,480 sq.m. are leased to various third parties for various terms at a total monthly rental of approximately RMB440,200.	800,000,000

Notes:

(i) According to the information provided by the Company, a State-owned land use Rights Certificate No. 京市東涉外國有(2001出)字第10136號 (Jing Shi Dong She Wai Guo You (2001 Chu) Zi Di No. 10136, the land use rights of a site having an area of approximately 5,679.75 sq.m. have been granted to 北京建國房地產開發有限公司 (renamed as 北京莎瑪房地產開發有限公司 ("JV Company") for apartment use for a term up to May 20, 2067.

(ii) According to a Building Ownership Certificate 京市東涉外字第10098號 (Jing Shi Dong She Wai Zi Di No. 10098), building with an area of 46,809.97 sq.m. has been held by 北京建國房地產開發有限公司.

(iii) As advised by the Company, a few units has been sold out, the total gross floor area of the Property is approximately 44,158.24 sq.m.

(iv) We have been provided with a legal opinion on the property interest prepared by Beijing Sino-Promise Law Firm the Company's PRC legal advisors, which contains, inter alia, the following information:

(a) JV Company has obtained the land use rights and building ownerships under the aforesaid State-owned Land use Right Certificate and Building Ownerships Certificate mentioned in Notes (i) and (ii).

(b) JV Company is entitled to transfer, let or mortgage the subject property.

(c) Portion of Property is subject to a mortgage in favour of 恒生銀行有限公司福州分行 dated December 14, 2006.

(d) The Property is subject to 3 legal proceedings.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at the Latest Practicable Date, no Directors or chief executive of the Company had or was deemed to have interests or short position in 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 required to be notified to the Company and the Stock Exchange pursuant to 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, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions

Name of Director	Nature of interest	Interest in Shares	Interest in underlying Shares	Total interest in Shares	Percentage of the issued capital of the Company
Ms. Chen Ming Yin, Tiffany	Interest of controlled corporation	58,360,612	—	58,360,612	24.92%
Mr. Heung Wah Keung	Interest of controlled corporation	58,360,612	—	58,360,612	24.92%

3. INTERESTS AND SHORT POSITIONS OF 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, no other person or companies 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Remaining Group or had any option in respect of such capital:

Long positions

Name	*Notes*	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Share	Percentage of the issued capital of the Company
Classical Statue Limited	*1*	Beneficial owner	58,360,612	—	58,360,612	24.92%
Glenstone Investments Limited	*1*	Interest of controlled corporation	58,360,612	—	58,360,612	24.92%
Porterstone Limited	*1*	Interest of controlled corporation	58,360,612	—	58,360,612	24.92%
Mr. Heung Wah Keung	*1*	Interest of controlled corporation	58,360,612	—	58,360,612	24.92%
Ms. Chen Ming Yin, Tiffany	*1*	Interest of controlled corporation	58,360,612	—	58,360,612	24.92%
Well Will Investment Limited		Beneficial owner	—	90,000,000	90,000,000	46.11%
Mr. Ng Cheuk Fai		Interest of controlled corporation	—	90,000,000	90,000,000	46.11%

Name	*Notes*	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Share	Percentage of the issued capital of the Company
Northbay Investments Holdings Limited	*2*	Beneficial owner	12,949,217	—	12,949,217	9.95%
Asia Vest Partners VII Limited	*2*	Interest of controlled corporation	12,949,217	—	12,949,217	9.95%
Asia Vest Partners X Limited	*2*	Interest of controlled corporation	12,949,217	—	12,949,217	9.95%
Andrew Nan Sherrill	*2*	Interest of controlled corporation	12,949,217	—	12,949,217	9.95%
Asia Vest Partners Limited	*2*	Interest of controlled corporation	12,949,217	—	12,949,217	9.95%

Notes:

1. Classical Statue Limited is a company wholly-owned by Glenstone Investments Limited. Glenstone Investments Limited is a company owned as to 60% by Porterstone Limited (a company wholly-owned by Ms. Chen Ming Yin, Tiffany) and as to 40% by Mr. Heung Wah Keung.

2. 12,949,217 Shares are beneficially owned by Northbay Investments Holdings Limited. 35.5% and 64.5% of the shareholding of Northbay Investments Holdings Limited are respectively owned by Asia Vest Partners VII Limited and Asia Vest Partners X Limited, and both of them are indirectly wholly-owned by Mr. Andrew Nan Sherrill through Asia Vest Partners Limited.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the date of this circular and which was significant in relation to the business of the Group.

None of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Remaining Group or are proposed to be acquired or disposed of by or leased to any member of the Remaining Group since 30 September 2008, being the date to which the latest published audited accounts of the Group were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

6. LITIGATION

As at the Latest Practicable Date, save as disclosed below, neither the Group was not 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 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 non-repayment 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 have 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.

7. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

8. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinion and advise, which is contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Grant Sherman Appraisal Limited	Professional valuer

Each of HLB Hodgson Impey Cheng and Grant Sherman Appraisal Limited has given and has not withdrawn their written consent to the issue of this circular with the inclusion of its letters and references to each of their names in the form and context in which they appear.

9. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, each of HLB Hodgson Impey Cheng and Grant Sherman Appraisal Limited:

(a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 September 2008, being the date to which the latest published audited accounts of the Company were made up; and

(b) did not have any shareholding 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.

10. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal office of the Company is situated at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tircor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) Mr. Chan Kin Wah, Billy, the company secretary and qualified accountant of the Company, is a member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from University of New South Wales in Australia.

(d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

(i) a placing agreement dated 19 March 2007 entered into between Classical Statue Limited (a substantial Shareholder), Kingston Securities Limited and the Company in relation to the top-up placing of 1,296,860,000 new ordinary shares of HK$0.01 each in the share capital of the Company at a price of HK$0.04 per share;

(ii) a conditional placing agreement dated 4 April 2007 entered into between the Company and Kingston Securities Limited in relation to the placing of 155,620,000 new ordinary shares of HK$0.10 each in the share capital of the Company at a price of HK$0.55 per share;

(iii) a joint venture agreement dated 11 May 2007 entered into between Legend Rich Limited (a wholly-owned subsidiary of the Company), the Company and Steve Leung Hotel Design and Management Limited;

(iv) a facility agreement dated 11 May 2007 entered into between Rich Joy Investments Limited, a wholly-owned subsidiary of the Company, and Best Season Holdings Corp., a 75% owned subsidiary of the Company, in relation to the revolving facility of up to HK$200,000,000;

(v) a placing agreement dated 25 June 2007 entered into between the Company and Kingston Securities Limited in relation to the placing of 162,100,000 new ordinary shares of HK$0.10 each in the share capital of the Company at a price of HK$0.5 per share;

(vi) a conditional sale and purchase agreement dated 19 July 2007 entered into between Legend Rich Limited, and Ms. Chen Ming Yin, Tiffany, an executive Director, relating to an acquisition of a 100% interest in Modern Vision (Asia) Limited;

(vii) a placing agreement dated 24 July 2007 entered into between Classical Statue Limited, Kingston Securities Limited and the Company in relation to the top-up placing of 173,000,000 new ordinary shares of HK$0.10 each in the share capital of the Company at a price of HK$0.83 per share;

(viii) a conditional sale and purchase agreement dated 1 August 2007 entered into between Legend Rich Limited, the Company and China Star Entertainment Limited (a then substantial shareholder) relating to the acquisition of a 100% interest in the issued share capital of Exceptional Gain Profit Limited and a sale loan;

(ix) an underwriting agreement dated 16 October 2007 entered into between the Company and Kingston Securities Limited in relation to proposed issue of 650,619,987 new ordinary shares of HK$0.10 each in the share capital of the Company at a subscription price of HK$0.30 per share by way of open offer to the qualifying Shareholders for subscription on the basis of one new share for every two existing shares held on the record date;

(x) a loan agreement dated 5 November 2007 entered into between the Company and Ms. Chen Ming Yin, Tiffany pursuant to which Ms. Chen Ming Yin, Tiffany granted an unsecured and interest-free loan of HK$45,000,000 to the Company for a period of six months from the date of the loan agreement;

(xi) the conditional sale and purchase agreement dated 28 February 2008 entered into between Riche and Well Will Investment Limited relating to an acquisition of a 100% interest in Rich Daily Group Limited;

(xii) the service agreement entered into between Ocho Sciedade Unipessoal Limited ("Ocho") and Rich Daily Group Limited on 28 February 2008 in relation to the provision of converge services by Rich Daily Group Limited to Ocho;

(xiii) a conditional placing agreement dated 4 November 2008 as supplemented by a supplemental agreement dated 6 November 2008 entered into between the Company and Kingston Securities Limited in relation to the placing of 500,000,000 new Shares at a price of not less than HK$0.05 per Share;

(xiv) the Sale and Purchase Agreement;

(xv) a termination agreement dated 23 December 2008 entered into Legend Rich Limited, the Company and China Star Entertainment Limited in relation to the termination of the conditional sale and purchase agreement as mentioned in (viii) above; and

(xvi) a top-up placing agreement dated 29 December 2008 between Classical Statute Limited, Kingston Securities Limited and the Company in relation to the top-up placing of 39,000,000 new Shares at a price of HK$0.102 per Share.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the SGM:

(a) the memorandum and bye-laws of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;

(c) the annual reports of the Group for the two financial years ended 31 December 2006 and 2007;

(d) the accountants' report on the Group for the three financial years ended 31 December 2007 and the nine months ended 30 September 2008, the text of which is set out in Appendix I to this Circular;

(e) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since the date of the latest published audited accounts of the Company;

(f) the accountants' report on the Shinhan-Golden Group, the text of which is set out in Appendix II to this circular;

(g) the accountants' report on the World East Group, the text of which is set out in Appendix III to this circular;

(h) the letter from the reporting accountants regarding the unaudited pro forma financial information on the Remaining Group as set out in Appendix IV to this circular;

(i) the valuation report prepared by Grant Sherman Appraisal Limited, the text of which is set out in Appendix VII to this circular; and

(j) the written consent referred to in paragraph 8 of this Appendix.

中国星

CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in the Bermuda with limited liability)

(Stock Code: 764)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of China Star Investment Holdings Limited (the "**Company**") will be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on 12 February 2009 at 4:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

1. "**THAT**

(a) the agreement (the "**Agreement**") dated 26 November 2008 and entered into among the Riche (BVI) Limited ("**Riche**") as vendor, Mega Shell Services Limited as purchaser and Golife Concepts Holdings Limited as guarantor, in relation to the sale and purchase of the entire issued share capital of Shinhan-Golden Faith International Development Limited ("**Shinhan-Golden**"); the entire issued share capital of World East Investments Limited ("**World East**"); all the obligations, liabilities and debts owing or incurred by Shinhan-Golden to Riche; and all the obligations, liabilities and debts owing or incurred by World East to Riche at an initial consideration of HK$211,466,310 (subject to adjustment as provided in the Agreement) (copy of the Agreement has been produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the subscription of the 117,691,940 Consideration Shares (as defined in the Agreement) at an issue price of HK$0.05 per Consideration Share by Riche be and is hereby approved, confirmed and ratified;

(c) the subscription of the Convertible Bond (as defined in the Agreement) for a principal sum of HK$100,000,000 by Riche be and is hereby approved, confirmed and ratified;

(d) the subscription of the Settlement Convertible Bond (as defined in the Agreement) for a maximum principal sum of HK$374,677,812 by Riche be and is hereby approved, confirmed and ratified;

(e) the provision of the Hang Seng Guarantee (as defined in the Agreement) to the JV Company (as defined in the Agreement) by the Company be and is hereby approved, confirmed and ratified;

(f) the provision of financial assistance to the CJV Partner (as defined in the Agreement) by Riche in the amount of HK$374,677,812 be and is hereby approved, confirmed and ratified; and

(g) any one or more of the Directors be and is/are hereby authorised to do all other acts and things and execute all documents, instruments and agreements which he/they consider(s) necessary or expedient for the implementation of and giving effect to the Agreement and the transactions contemplated thereunder."

By order of the Board
China Star Investment Holdings Limited
Heung Wah Keung
Chairman

Hong Kong, 23 January 2009

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

Head office and principal place of business in Hong Kong:
Unit 3408, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the memorandum and bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the Meeting is enclosed. 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 office of the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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, in such event, the form of proxy will be deemed to be revoked.

4. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof, whether in person or in proxy.