



## **Golife Concepts Holdings Limited**

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

*Listed on the Stock Exchange of Hong Kong*

**Stock Code: 8172**



[www.golife.com.hk](http://www.golife.com.hk)

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

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

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

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*This report, for which the directors (the “Directors”) of Golife Concepts Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## **Golife Concepts Holdings Limited**

First Quarterly Report 2009

### **FINANCIAL HIGHLIGHTS**

Revenue of the Group for the three months ended 31 March 2009 was approximately HK\$6.5 million (2008: HK\$16.3 million, as restated), representing a decrease of approximately 60.1% as compared with the same period of last year.

Loss attributable to equity holders of the Company for the three months ended 31 March 2009 amounted to approximately HK\$11.1 million (2008: HK\$20.8 million, as restated), representing a decrease of approximately 46.6% as compared with the same period of last year.

Loss per share were approximately HK\$2.5 cents (2008: HK\$8.3 cents) for the three months ended 31 March 2009.

The Directors do not recommend payment of dividend for the three months ended 31 March 2009 (2008: Nil).

## RESULTS

The board of directors (the "Board") of Golife Concepts Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2009, together with the comparative unaudited figures for 2008 as follows:

### UNAUDITED CONSOLIDATED INCOME STATEMENT

|                                   |                          | <b>For the three months<br/>ended 31 March</b> |  |
|-----------------------------------|--------------------------|--|--|
| Note                              | <b>2009<br/>HK\$'000</b> | 2008<br>HK\$'000<br>(restated)                 |  |
| TURNOVER                          | <b>6,512</b>             | 16,301   |  |
| Cost of sales                     | <b>(3,799)</b>           | (6,898)  |  |
| Gross profit                      | <b>2,713</b>             | 9,403  |  |
| Other revenues and gains          | <b>62</b>                | 4,743  |  |
| Selling and distribution costs    | <b>(310)</b>             | (901)  |  |
| Administrative expenses           | <b>(10,784)</b>          | (20,374)                                       |  |
| Other expenses and losses         | <b>(1,766)</b>           | (13,328)                                       |  |
| Finance costs                     | <b>(1,042)</b>           | (308)  |  |
| LOSS BEFORE TAX                   | <b>(11,127)</b>          | (20,765)                                       |  |
| Tax                               | <b>–</b>                 | –  |  |
| LOSS ATTRIBUTABLE TO SHAREHOLDERS | <b>(11,127)</b>          | (20,765)                                       |  |
| DIVIDEND                          | <b>–</b>                 | –  |  |
| Loss per share                    |                          |  |  |
| Basic                             | <b>HK(2.5) cents</b>     | HK(8.3) cents                                  |  |
| Diluted                           | <b>N/A</b>               | 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 and continued in Bermuda as an exempted company on 16 March 2009. The Company's shares have been listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange since 26 March 2002.

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 1611, 16/F., Shun Tak Centre, West Tower, 168-200 Connaught Road 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 is distribution of high-end apparel, accessories and jewellery.

#### 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 ("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 "GEM Listing Rules"). 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 2008, except for the accounting policy in relation to the interests in jointly controlled entities. Details of the change in accounting policies are set out in Note 3 below.

In the three months ended 31 March 2009, the Group had applied for the first time, a number of new standards, amendments and interpretations (new "HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2009. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting period as prepared and presented.

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. Changes in accounting policies

##### *Interests in Jointly Controlled Entities*

Prior to 1 January 2009, the Group shared the net assets/liabilities, under the equity method of accounting, of a jointly controlled entity and discontinued recognised its share of further loss of a jointly controlled entity with the applicable share of cumulative losses in excess of the Group's equity interest in the jointly controlled entity.

From 1 January 2009 onwards, the Group has changed its accounting policy on interests in jointly controlled entity from equity method of accounting to proportionate consolidation by combining its share of each of the items in the financial statements of an jointly controlled equity with the similar items, line by line, in its consolidated financial statements except for current account with the Company pursuant to HKAS 31 "Interests in Joint Ventures". The change in accounting policy has been adopted retrospectively and the Group has applied prior year adjustments of approximately HK\$2.4 million to increase the accumulated losses at 31 December 2008 (31 December 2007: approximately HK\$725,000) for recognition of its share of relevant losses of certain jointly controlled entities under proportionate consolidation. The unaudited consolidated income statement for the period ended 31 March 2008 has also been restated, under proportionate consolidation, by combining its share of each of the items in the financial statements of certain jointly controlled entities with the similar items, line by line, in the Financial Statements of the Company.

**4. Other revenues and gains**

|  | <b>For the three months<br/>ended 31 March</b> |          |
|--|--|----------|
|  | <b>2009</b>                                    | 2008     |
|  | <b>HK\$'000</b>                                | HK\$'000 |
| Bank interest income                                   | –  | 185      |
| Gain on disposal of fixed assets                       | <b>48</b>                                      | –        |
| Fair value gain on derivative financial instruments    | –  | 2,685    |
| Profit on disposal of derivative financial instruments | –  | 233      |
| Management services income                             | <b>10</b>                                      | 40       |
| Sundries Income  | <b>4</b>                                       | –        |
| Waiver of other payable                                | –  | 1,600    |
|  | <b>62</b>                                      | 4,743    |

**5. Other expenses and losses**

|  | <b>For the three months<br/>ended 31 March</b> |          |
|--|--|----------|
|  | <b>2009</b>                                    | 2008     |
|  | <b>HK\$'000</b>                                | HK\$'000 |
| Fair value loss on financial assets at fair value through profit or loss | –  | 535      |
| Loss on disposal of derivative financial instruments                     | <b>347</b>                                     | 493      |
| Break-up fee for a terminated acquisition                                | –  | 12,300   |
| Loss on early redemption of convertible bonds                            | <b>1,419</b>                                   | –        |
|  | <b>1,766</b>                                   | 13,328   |

### 6. Finance costs

|   | For the three months<br>ended 31 March |                  |
|---|--|------------------|
|   | 2009<br>HK\$'000                       | 2008<br>HK\$'000 |
| Interest on convertible bonds   | 855                                    | –                |
| Interest on bank loans and overdrafts<br>wholly repayable within five years | 178                                    | 295              |
| Interest on finance leases  | 9                                      | 13               |
|   | <b>1,042</b>                           | <b>308</b>       |

### 7. Tax

No provision for Hong Kong or overseas profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong or overseas during the period under review (2008: Nil).

### 8. Loss per share

The calculation of the basic loss per share is based on the loss attributable to shareholders of the Company for the three months ended 31 March 2009 of approximately HK\$11.1 million (2008: loss attributable to shareholders of the Company of approximately HK\$20.8 million) and on the weighted average of 442,954,505 shares in issue during the three months ended 31 March 2009 (2008: 249,400,298, as adjusted). The comparative figure of basic earnings per share for the three months ended 31 March 2008 had been re-calculated to reflect the share consolidation taken place on 13 August 2008.

The conversion of all potential ordinary shares arising from share options granted by the Company and convertible bonds would have an anti-dilutive effect on the loss per share for the three months ended 31 March 2009.

No diluted loss per share has been presented for the three months ended 31 March 2008 as the conversion of all potential ordinary shares from share options would have an anti-dilutive effect on the loss per share for the three months ended 31 March 2008. The Company had no outstanding convertible bonds at 31 March 2008.

9. Reserves

|  | Share<br>premium | Equity<br>component of<br>convertible<br>notes | Share-based<br>payments<br>reserve | Accumulated<br>losses | Total           |
|--|------------------|--|------------------------------------|-----------------------|-----------------|
|  | HK\$'000         | HK\$'000                                       | HK\$'000                           | HK\$'000              | HK\$'000        |
| At 1 January 2008,<br>as previously stated               | 132,103          | –  | 98                                 | (132,918)             | (717)           |
| Prior year adjustment (Note 3)                           | –                | –  | –                                  | (725)                 | (725)           |
| Loss for the period                                      | –                | –  | –                                  | (20,765)              | (20,765)        |
| At 31 March 2008 (restated)                              | <u>132,103</u>   | <u>–</u>                                       | <u>98</u>                          | <u>(154,408)</u>      | <u>(22,207)</u> |
| <b>At 1 January 2009,</b><br><b>as previously stated</b> | <b>135,062</b>   | <b>12,693</b>                                  | <b>98</b>                          | <b>(206,559)</b>      | <b>(58,706)</b> |
| Prior year adjustment (Note 3)                           | –                | –  | –                                  | (2,390)               | (2,390)         |
| Redemption of convertible bonds                          | –                | (9,639)  | –                                  | 1,789                 | (7,850)         |
| Issue of convertible bonds                               | –                | 42,711   | –                                  | –                     | 42,711          |
| Loss for the period                                      | –                | –  | –                                  | (11,127)              | (11,127)        |
| At 31 March 2009   | <u>135,062</u>   | <u>45,765</u>                                  | <u>98</u>                          | <u>(218,287)</u>      | <u>(37,362)</u> |

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2009 (2008: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

Turnover of the Group was HK\$6,512,000 for the three months ended 31 March 2009, representing a decrease of 60.1% as compared with HK\$16,301,000 for the period ended 31 March 2008. Gross profit was HK\$2,713,000, representing approximately 41.7% of turnover. Gross profit margin dropped as compared with 57.7% of the corresponding period last year as a result of extra sales discounts offered in the weak retail market during the period.

Loss attributable to shareholders after tax was HK\$11.1 million which is mainly contributed by the one-off expenses in compensation to landlords and staff members as a result of termination of a number of retail shops and staff layoff.



## Business Review

During the period under review, the Group ceased the operations for part of the fashion brands in order to concentrate resources for the development of the remaining fashion brands and implemented cost control measures. Distribution business of the Group's 50% owned designer jewellery brand, Life of Circle, achieved satisfactory results through three POS in Hong Kong. During the period, distribution business for Life of Circle achieved a turnover of HK\$1,709,000. The Group believes the Life of Circle brand has enormous long-term potential. It depends very much on the overall economic climate before the brand may gain momentum.

## Future Plans

During the year, the global financial crisis resulted in significant drop in consumer spending all over the world, including the Greater China region. As the management expects the crisis to last at least one or two years, the management did take a number of measures to streamline the Group's operations and to control the overall cost. On the other hand, the Group will aim to diversify its business for stable source of revenue and raise funds from capital market in order to strengthen its capital base.

On 26 November 2008, Mega Shell Services Limited ("MS"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Riche (BVI) Limited ("Riche"), a wholly-owned subsidiary of China Star Investment Holdings Limited of which its issued shares are listed on the Main Board of the Stock Exchange. Pursuant to the sale and purchase agreement, MS has agreed to purchase the entire issued share capital and the outstanding shareholders' loan of Shinhan-Golden Faith International Development Limited ("SG") and World East Investments Limited ("WE") for a total consideration of HK\$211,466,310. The consideration shall be satisfied by the Company in the manner that: (a) HK\$5,884,597 by procuring the Company to allot and issue 117,691,940 consideration shares to Riche; (b) HK\$100,000,000 by procuring the Company to issue convertible bond to Riche; (c) subject to the adjustment as provided in the sale and purchase agreement, HK\$5,581,713 shall be payable in cash by MS to Riche; and (d) HK\$100,000,000 by procuring the Company to issue promissory note to Riche. SG and WE is the shareholders of a joint-venture company, namely 北京莎瑪房地產開發有限公司 (the "JV Company"), a company incorporated in the People's Republic of China (the "PRC"). The JV Company is the registered and beneficial owner of a property located in Inner Jianggou Gate of Dongcheng District, Beijing, the PRC. The property has been utilised as a high-end serviced apartment for rental purpose. The property has commenced operation in late June 2008 and is managed by SHAMA, one of the leading providers of boutique serviced apartments in the Hong Kong real estate market. The details of the transaction were set out in the circular of the Company dated 23 January 2009 and was approved by the shareholders in the extraordinary general meeting held on 16 February 2009. The transaction had been completed on 8 April 2009.

On 29 January 2009, the Company announced that Amazing Goal International Limited ("AG"), a wholly-owned subsidiary of the Company, entered into a subscription agreement pursuant to which Chung Chiu (PTC) Limited ("CC"), an associate of a connected person of the Company, has conditionally agreed to subscribe and AG has conditionally agreed to allot and issue subscription shares to CC at a consideration of US\$50. The subscription shares represent 50% of the entire share capital of AG as enlarged by the allotment and issue of the subscription shares. Upon completion, AG will cease to be a subsidiary of the Company and will become a jointly controlled entity of the Company. The Company's interests in AG will be accounted for by

proportionate consolidation under HKAS 31 "Interests in Joint Ventures". The Directors believe that the subscription will provide the Group with an opportunity to restructure the loss-making operations of the Group and reallocate the resources of the Group on other business operations. The transaction has not yet been completed as at the date of this report.

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

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

On 28 April 2009, the Group raised additional fund of HK\$100 million by issuance of convertible bonds to Brilliant Arts Multi-Media Holding Limited, of which its issued shares are listed on the GEM Board of the Stock Exchange, with a term of 10 years and zero coupon rate (the "BA Bonds"). The proceeds raised from the issuance of the BA Bonds will be utilised as general working capital and/or repayment its borrowings as and when need.

On 23 April 2009, the Company entered into an agreement with a placing agent, whereby the Company has conditionally agreed to place through the Placing Agent, an aggregate of 11,560,000 placing shares on a fully underwritten basis to independent investors at a price of HK\$0.205 per placing share. The net proceeds of HK\$2.3 million from the placing are intended to be used for general working capital of the Group.

On 23 April 2009, The Company proposed to raise approximately not less than HK\$46.3 million and not more than HK\$55.6 million before expenses, by way of open offer of not less than 462,551,352 offer shares and not more than 555,506,552 offer shares at a price of HK\$0.10 per share on the basis of eight offer shares for every one share held on the record date and payable in full on application. The open offer is fully underwritten in the manner that the Company entered into an agreement with an underwriter, whereby the underwriter has conditionally agreed to underwrite the underwritten shares which have not been taken up. The estimated net proceeds from the open offer will not be less than approximately HK\$45.3 million. The Board intends to apply such proceeds from the open offer to reduce the Group's borrowings as and when needed, finance any future possible investment and/or for general working capital of the Group.

Looking forward, the streamline of the Group's business operations will enable the Group to operate in a relatively cost-effective manner. The completion of the acquisition of the investment properties in the PRC will provide a stable source of revenue to the Group. The Group will not only continue to focus on its business in relation to the distribution of high-end apparel, accessories and jewellery, but also continue to seek for new investment opportunities in the other areas such as property investment in order to diversify the Group's revenue base by entering into industries that are less affected by the expected persistent economic downturn. In addition, the series of funds raised or to be raised will strengthen and broaden the capital base of the Company and ensure the adequacy of the working capital for the Group's operations.

### Share Consolidation, Capital Reorganisation and Change in Domicile

Pursuant to the resolutions passed on 9 February 2009, the domicile of the Company will be changed from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. Capital reorganisation will be effected by way of comprising (a) share consolidation that every ten shares of HK\$0.05 each in the issued and unissued share capital be consolidated into one consolidated share of HK\$0.50 each of the Company ("Consolidated Shares"); (b) capital reduction that the par value of all issued Consolidated Shares from HK\$0.50 each to HK\$0.01 each by canceling the paid-up capital to the extent of HK\$0.49 on each issued Consolidated Share; (c) diminution of the par value of each of the authorised but unissued Consolidated Shares from HK\$0.50 each to HK\$0.01 each by a diminution of HK\$0.49 on each authorised but unissued Consolidated Share. The change of domicile and capital reorganisation became effective on 16 March 2009 and 6 April 2009 respectively.

### DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2009, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules, were as follows:–

#### Long positions in the ordinary shares of HK\$0.05 each of the Company

| Name of Director | Interest in shares | Interest in underlying shares | Total interest in shares | Percentage of the Company's issued share capital |
|------------------|--------------------|-------------------------------|--------------------------|--|
| Mr. Duncan Chiu  | –                  | 198,000<br>(Note)             | 198,000                  | 0.04%  |

Note: The number of shares have been adjusted due to completion of share consolidation on 13 August 2008. Mr. Duncan Chiu is deemed to be interested in 198,000 shares which would fall to be issued upon exercise of the 198,000 share options of the Company. Mr. Duncan Chiu resigned as a non-executive Director on 20 April 2009.

Save as disclosed above, at 31 March 2009, none of the directors, or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 6 March 2002. The principal terms of the Scheme have been set out in the Note 33 to the financial statements in the annual report of the Company for the year ended 31 December 2008.

Details of the Company’s share options granted under the Scheme are as follows:

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

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

## DIRECTORS’ AND CHIEF EXECUTIVES’ RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at 31 March 2009, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2009, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

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

| Name of shareholder                         | Capacity   | Interest in shares | Interest in underlying shares | Total interest in shares | Percentage of the Company's issued share capital |
|---|--|--------------------|-------------------------------|--------------------------|--|
| China Star Investment Holdings Limited      | Interest of controlled corporation (Note 1)                    | -                  | 9,658,152,810                 | 9,658,152,810            | 999.99%  |
| Riche (BVI) Limited                         | Beneficial owner (Note 1)                                      | -                  | 9,658,152,810                 | 9,658,152,810            | 999.99%  |
| Brilliant Arts Multi-Media Holdings Limited | Beneficial owner (Note 2)                                      | -                  | 2,000,000,000                 | 2,000,000,000            | 434.31%  |
| China Star Entertainment Limited            | Beneficial owner (Note 3)                                      | -                  | 1,200,000,000                 | 1,200,000,000            | 260.58%  |
| Chu Yuet Wah                                | Personal and interest of controlled corporation (Note 4 and 5) | 110,290,281        | -                             | 110,290,281              | 23.95%   |
| Kingston Securities Limited                 | Beneficial owner (Note 5)                                      | 96,955,673         | -                             | 96,955,673               | 21.05%   |
| Ma Siu Fong                                 | Interest of controlled corporation (Note 5)                    | 96,955,673         | -                             | 96,955,673               | 21.05%   |
| Lim Hung Chun                               | Interest of controlled corporation (Note 6)                    | -                  | 32,000,000                    | 32,000,000               | 6.95%  |
| Win Win Fortune Limited                     | Beneficial owner (Note 6)                                      | -                  | 32,000,000                    | 32,000,000               | 6.95%  |
| Cheung Pui Kay                              | Beneficial owner (Note 7)                                      | 3,500,000          | 24,000,000                    | 27,500,000               | 5.97%  |

#### Notes:

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

- (2) Brilliants Arts Multi-Media Holding Limited ("Brilliant Arts"), a company listed on the GEM Board of the Stock Exchange, is deemed to be interested in 2,000,000,000 shares pursuant to the conditional subscription agreement dated 26 November 2008 entered into between Brilliants Arts and the Company.
- (3) China Star Entertainment Limited ("CSE"), a company listed on the Main Board of the Stock Exchange, is deemed to be interested in 1,200,000,000 shares pursuant to the conditional subscription agreement dated 26 November 2008 entered into between CSE and the Company.
- (4) Ms. Chu Yuet Wah is the beneficial owner of 210,000 shares. 13,124,608 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 (5) below, Ms. Chu Yuet Wah is deemed to be interested in 110,290,281 shares.
- (5) Kingston Securities is interested in 96,955,673 shares. Ms. Chu Yuet Wah and Ms. Ma Siu Fong own 51% and 49% interest in Kingston Securities respectively.
- (6) Win Win Fortune Limited, which is wholly and beneficially owned by Mr. Lim Hung Chun, is deemed to be interested in 32,000,000 shares through its interest in the convertible bonds in the principal amount of HK\$4,000,000 issued by the Company.
- (7) Mr. Cheung Pui Kay is the beneficial owner of 3,500,000 shares. Adding the 24,000,000 shares that he is deemed to be interested through his interest in the convertible bonds in the principal amount of HK\$3,000,000 issued by the Company. He is interested in a total of 27,500,000 shares.

Save as disclosed above, at 31 March 2009, the Company has not been notified by any persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## COMPETING INTEREST

At 31 March 2009, none of the Directors nor the management shareholders and substantial shareholders, or their respective associates had an interest in any business which competes or may compete with the business of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities during the period. Neither the Company nor any of its subsidiaries has purchased and sold any of the Company's listed securities during the three months ended 31 March 2009.

## CORPORATE GOVERNANCE

For the three months ended 31 March 2009, the Company complied with provisions set out in Appendix 15 of the Code of Corporate Governance Practices of the GEM Listing Rules.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2009, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all directors, all directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

## AUDIT COMMITTEE

The audit committee has three members comprising three independent non-executive directors, namely Mr. Yip Tai Him (Chairman of the Audit Committee), Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng.

The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and half-yearly report and to provide advice and comment thereon to the board of directors. The audit committee will also be responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

By Order of the Board

**Lai Hok Lim**

*Executive Director*

Hong Kong, 14 May 2009

*As at the date hereof, the Board comprises two executive directors, namely Mr. Lai Hok Lim and Mr. Lee Chan Wah; and three independent non-executive directors, namely Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng.*