



CHINA STAR FILM GROUP LIMITED

(formerly known as Golife Concepts Holdings Limited)

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

(Stock Code: 8172)

Third Quarterly Report

2009



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This report, for which the directors (the “Directors”) of China Star Film Group 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.

FINANCIAL HIGHLIGHTS

Turnover of the Group for the nine months ended 30 September 2009 was approximately HK\$18.0 million, of which HK\$8.8 million (2008: HK\$51.2 million, as restated), HK\$7.9 million (2008: Nil) and HK\$1.2 million (2008: Nil) was generated from the distribution of high-end apparel and accessories through the investment in a jointly controlled entity, property investment and artists management services respectively, representing a decrease of approximately 64.9% as compared with the same period of last year.

Loss attributable to equity holders of the Company for the nine months ended 30 September 2009 amounted to approximately HK\$1.5 million (2008: HK\$43.9 million, as restated), representing a decrease of approximately 96.6% as compared with the same period of last year.

Loss per share were approximately HK0.62 cent (2008: HK170.78 cents, as restated) for the nine months ended 30 September 2009.

The Directors do not recommend payment of dividend for the nine months ended 30 September 2009 (2008: Nil).

UNAUDITED QUARTERLY RESULTS

The board of directors (the “Board”) of China Star Film Group Limited (formerly known as “Golife Concepts Holdings Limited”) (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2009, together with the comparative unaudited figures for 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (restated)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (restated)
Turnover	4	6,126	15,926	17,949	51,177
Cost of sales		(2,940)	(7,526)	(8,832)	(22,999)
Gross profit		3,186	8,400	9,117	28,178
Other revenues and gains	4	119,013	288	147,503	5,399
Selling and distribution costs		(12)	(752)	(363)	(2,522)
Administrative expenses		(6,736)	(25,323)	(28,420)	(60,101)
Other expenses and losses	5	(144,867)	(131)	(146,633)	(13,705)
Finance costs	6	(9,182)	(426)	(17,406)	(1,097)
Loss before taxation	7	(38,598)	(17,944)	(36,202)	(43,848)
Taxation	8	34,701	–	34,701	(12)
Loss attributable to equity holders		(3,897)	(17,944)	(1,501)	(43,860)
Loss per share	9				
Basic		HK0.63 cent	HK66.26 cents	HK0.62 cent	HK170.78 cents
Diluted		N/A	N/A	N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

China Star Film Group Limited (formerly known as “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 on 16 March 2009. The Company’s shares have been listed on 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 3407, 34/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 activity of its subsidiaries is property investment, provision of artists management services, film production and film distribution and investment in jointly controlled entity which is principally engaged in 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 (“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.

For the nine months ended 30 September 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***

Proir 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 a 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 adjustment of HK\$2.4 million to increase the accumulated losses as at 31 December 2008 (2007: 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 30 September 2008 has also been restated, under proportionate consolidation, by combining its share of each of the items, line by line, in the Financial Statements of the Company.

4. Turnover, Other Revenues and Gains

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(restated)		(restated)
Turnover:				
Distribution of high end apparel and accessories	610	15,926	8,813	51,177
Rental income	4,292	—	7,912	—
Artists management services	1,224	—	1,224	—
	6,126	15,926	17,949	51,177
Other revenues and gains				
Bank interest income	73	230	601	591
Gain on disposal of fixed assets	—	—	66	—
Gain on bargaining purchasing	456	—	28,122	—
Gain on deemed disposal of a jointly controlled entity	118,202	—	118,202	—
Profit on disposal of derivative financial instruments	—	16	—	3,073
Management services income	216	45	231	135
Sundries income	66	(3)	281	—
Waiver of other payable	—	—	—	1,600
	119,013	288	147,503	5,399

5. Other Expenses and Losses

	For the three months ended 30 September		For the nine months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (restated)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (restated)
Fair value loss on financial assets at fair value through profit or loss	—	131	—	622
Loss on disposal of derivative financial instruments	5	—	352	783
Break-up fee for a terminated acquisition	—	—	—	12,300
Written off — advance to a jointly controlled entity	99,972	—	99,972	—
Loss in fair value of investment property	4,740	—	4,740	—
Loss on disposal of investment property	40,150	—	40,150	—
Loss on early redemption of convertible bonds	—	—	1,419	—
	144,867	131	146,633	13,705

6. Finance Costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (restated)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (restated)
Imputed interest on convertible bonds	2,620	145	5,650	161
Interest on bank loan and overdraft wholly repayable within five years	6,558	268	11,729	897
Interest on finance leases	4	13	27	39
	9,182	426	17,406	1,097

7. Loss before Taxation

	For the three months ended 30 September		For the nine months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (restated)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (restated)
Cost of inventories sold	302	7,526	4,860	22,999
Depreciation	2,794	1,126	4,737	3,553
Minimum lease payments under operating leases on land and building	363	5,494	5,625	15,520
Staff costs including directors's remuneration (including in administrative cost only)	2,840	13,889	10,149	21,559
Exchange loss/(profit), net	—	354	960	(271)

8. Taxation

	For the three months ended 30 September		For the nine months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (restated)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (restated)
Current tax charge for the period/ (under) provision for prior years				
Hong Kong	—	—	—	—
Overseas	15,215	—	15,215	(12)
	15,215	—	15,215	(12)
Deferred tax credit				
For the current period	(49,916)	—	(49,916)	—
	(34,701)	—	(34,701)	(12)

No provision for Hong Kong profits tax has been made in the Financial Statements as the Group has no assessable profits arising in Hong Kong during the period under review (2008: Nil). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9. Loss per Share

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company for the three months ended 30 September 2009 of approximately HK\$3.9 million (2008: HK\$17.9 million, as restated) and loss attributable to equity holders of the Company for the nine months ended 30 September 2009 of approximately HK\$1.5 million (2008: HK\$43.9 million, as restated) and on the weighted average of 618,377,322 shares in issue during the three months ended 30 September 2009 (2008: 27,080,533 shares, as adjusted) and the weighted average of 243,997,514 shares in issue during the nine months ended 30 September 2009 (2008: 25,682,096 shares, as adjusted). The comparative figure of basic loss per share for the three months and nine months ended 30 September 2009 had been re-calculated to reflect the share consolidation taken place on 12 August 2008 and 6 April 2009 respectively.

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 and nine months ended 30 September 2009.

No diluted loss per share has been presented for the three months and nine months ended 30 September 2008 as the conversion of all potential ordinary shares from share options and convertible bonds would have an anti-dilutive effect on the loss per share for the three months and nine months ended 30 September 2008.

10. Reserves

	Equity component of							Total
	Share capital	Share premium	Contributed surplus	convertible bonds	Share-based payment reserve	Translation reserve	Accumulated losses	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
At 1 January 2008 at previous stated	12,470	132,103	–	–	98	–	(132,918)	11,753
Prior year adjustment (Note 3)	–	–	–	–	–	–	(725)	(725)
Issue of convertible bonds	–	–	–	5,587	–	–	–	5,587
Conversion of convertible bonds	1,326	1,673	–	(89)	–	–	–	2,910
Net loss for the period	–	–	–	–	–	–	(43,860)	(43,860)
At 30 September 2008 (restated)	13,796	133,776	–	5,498	98	–	(177,503)	(24,335)
At 1 January 2009 at previous stated	16,446	135,062	–	12,693	98	–	(206,559)	(42,260)
Prior year adjustment (Note 3)	–	–	–	–	–	–	(2,390)	(2,390)
Redemption of convertible bonds	–	–	–	(9,639)	–	–	1,789	(7,850)
Issue of convertible bonds	–	–	–	185,081	–	–	–	185,081
Capital reduction	(22,564)	–	22,564	–	–	–	–	–
Issue of shares	12,362	57,973	–	–	–	–	–	70,335
Share issue expenses	–	(930)	–	–	–	–	–	(930)
Exchange difference arising from translation of financial statements of foreign operation	–	–	–	–	–	118	–	118
Net loss for the period	–	–	–	–	–	–	(1,501)	(1,501)
At 30 September 2009	6,244	192,105	22,564	188,135	98	118	(208,661)	200,603

INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover of the Group was HK\$18.0 million for the nine months ended 30 September 2009, of which HK\$8.8 million (2008: HK\$51.2 million, as restated), HK\$7.9 million (2008: Nil) and HK\$1.2 million (2008: Nil) was generated from the distribution of high-end apparel and accessories through the investment in the jointly controlled entity, property investment and artists management services respectively, representing a decrease of approximately 64.9% as compared with the period ended 30 September 2008.

The gross profit of the segment of distribution of high-end apparel and accessories was approximately HK\$4.0 million, representing approximately 44.9% of turnover of the segment of distribution of high-end apparel and accessories. Gross profit margin dropped as compared with 55.1% of the corresponding period last year as a result of extra sales discounts offered in the weak retail market during the period.

Following the completion of the acquisition Shinhan-Golden Faith International Development Limited and World East Investments Limited on 8 April 2009, turnover of approximately HK\$7.9 million was contributed from the segment of property investment. The gross profit of such segment was approximately HK\$4.9 million.

Other revenues and gains amounted to approximately HK\$147.5 million, representing an increase of 2,632.1% over the same period last year. Such increase was contributed by a gain on bargaining purchasing of approximately HK\$28.1 million and gain on deemed disposal of the interest in a jointly controlled entity of approximately HK\$118.2 million during the period under review.

Selling and distribution costs decreased by 85.6% to approximately HK\$0.4 million from HK\$2.5 million in prior year. Such decrease was in line with the decrease in the turnover generated from the segment of distribution of high-end apparel and accessories.

Administrative expenses decreased by 52.7% to approximately HK\$28.4 million from HK\$60.1 million in prior year. Such decrease was mainly attributed to the scale down of the operation in the segment of distribution of high-end apparel and accessories and the stringent cost control policy adopted by the management.

Other expenses and losses increased by 969.9% to approximately HK\$146.6 million from HK\$13.7 million in prior year. Such increase was caused by a loss on disposal of the investment property located at Beijing, the PRC of approximately HK\$40.2 million and the impairment of current account with jointly controlled entity of approximately HK\$100.0 million.

Finance costs increased by 1,486.7% to approximately HK\$17.4 million from HK\$1.1 million in prior year. Such increase was mainly attributed to the increase in interest expenses on bank loan and overdrafts wholly repayable within five years and imputed interest expenses on convertible bonds.

Loss attributable to equity holders of the Company for the period ended 30 September 2009 was HK\$1.5 million (2008: HK\$43.9 million). The decrease in the loss attributable to equity holders of the Company as compared with the corresponding period of last year was mainly attributed to the reversal of the deferred tax liability of HK\$49.9 million relating to the revaluation of the investment properties recognised in prior years.

Business Review

On 26 November 2008, Mega Shell Services (“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. 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 at No. 9 Gongyuan Xijie, 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 the transaction was approved by the shareholders at the extraordinary general meeting held on 16 February 2009. The transaction had been completed on 8 April 2009 and turnover of approximately HK\$7.9 million was contributed by the investment property during the period under review.

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”) 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. The transaction had been completed on 10 July 2009. Upon completion, AG has ceased to be a subsidiary of the Company and become a jointly controlled entity of the Company. The Company and CC has entered into a shareholders’ agreement for the management of AG. 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. On 21 August 2009, CC increased its interest in AG to 81% by capitalising its advances to AG pursuant to the shareholders' agreement.

On 21 July 2009, the Company and the bondholders proposed to enter a deed of amendments, pursuant to which, the conditions of the convertible bonds issued on 25 September 2008 shall be modified (a) to extend the maturity date of the convertible bonds to the fifth anniversary of the date of issue instead of the third anniversary of the date of issue (the "New Maturity Date"); and (b) to a mandatory conversion of any outstanding amount of convertible bonds into shares by the bondholders at HK\$0.239, subject to adjustment for standard anti dilution events, at the New Maturity Date (the "Proposed Alterations"). A circular containing the details of the Proposed Alteration had been send to the shareholders on 12 August 2009. The Proposed Alterations had been resolved at the special general meeting held on 7 September 2009 and the deed of amendments was entered into between the Company and the bondholders on 5 October 2009.

On 31 July 2009, the Company announced that Dance Star Group Limited ("DS"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with China Star Entertainment Limited, of which its issued shares are listed on the main board of the Stock Exchange. Pursuant to the sale and purchase agreement, DS agreed to acquire the entire issued share capital of China Star Entertainment Limited ("CSM") and Anglo Market International Limited ("AMI") from China Star Entertainment Limited for a consideration of HK\$3,137,971. Completion took place upon signing of the sale and purchase agreement. Each of CSM and AMI is principally engaged in the business of artists management and has possessed existing resources in relation to artists management including a pool of non-contracted and contracted artists and experienced management in the media field. The Directors consider that such resources represent valuable assets for the Group to develop into the film business with an aim to diversify the revenue and earnings base of the Group. Turnover of approximately HK\$1.2 million was contributed by this segment during the period under review.

On 19 August 2009, a wholly-owned subsidiary of the Group, namely 北京莎瑪房地產開發有限公司 (“Beijing Suoma”) and 北京銀座興業房地產經紀有限公司 (the “Purchaser”) entered into a sale and purchase agreement pursuant to which Beijing Suoma has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the 193 residential units and the 186 car parking spaces located at No. 9 Gongyuan Xijie, Dongcheng District, Beijing, the PRC for a consideration of RMB750 million (the “Disposal”). The transaction constituted a very substantial disposal on the part of the Company. A circular containing the details of the Disposal had been send to the shareholders on 9 September 2009 (the “Circular”). The Disposal had been resolved at the special general meeting held on 25 September 2009. The Directors consider that the Disposal represents an opportunity for the Group to realise part of its investment properties in Beijing for reducing its bank borrowings and for investment return with immediate cash inflow. As stated in the Circular, the Board intends to use the remaining net proceeds from the Disposal to pay down the Group’s borrowing and indebtedness. On 2 October 2009, the Company had paid down the convertible bond issued to Brilliant Arts Multi-Media Holding Limited of HK\$100 million.

Future Plans

Although the overall economic climate around the globe have become improved recently, the management remain cautiously hopeful the improving trend will be sustained and will turn to recovery of the economy. Apart from streamlining the Group’s loss-making business, the management did take a number of measures to control the overall cost, especially the finance costs by reducing the borrowings of the Company. On the other hand, the Group will aim to diversify its business in order to secure a stable source of revenue and diversify the earnings base of the Group.

On 8 October 2009, the Company entered into a sale and purchase agreement with Brilliant Arts Multi-Media Holding Limited (the “Vendor”), whose shares are listed on the GEM of the Stock Exchange, in relation to the acquisition of the entire issued share capital of Creative Formula Limited (“Creative Formula”), a wholly-owned subsidiary of the Vendor for a consideration of HK\$8.2 million (the “Acquisition”). The principal assets of Creative Formula is the film rights (excluding Hong Kong Theatrical Right, Hong Kong Video Right, Airline Right, Hong Kong Cable Television Right, All Rights for Singapore and Malaysia, and Asian Satellite Television Right) of a film titled “Written By”. The Disposal

constituted a discloseable transaction for the Company and was completed upon signing of the agreement. The Board considers that the Acquisition provide an opportunity to diversify its revenue and earnings base. As the Company has expanded into entertainment business through the acquisition of the artists management business in July 2009, the Acquisition allows the Group to speedily expand into film business and to vertically integrate its artists management business.

Looking forward, the streamline of the Group's loss-making business will enable the Group in a relatively cost-effective manner. The disposal of the investment properties located at Beijing, the PRC provide an opportunity for the Group to relieve its bank borrowings and indebtedness. The completion of the acquisition of entired issued share capital of CSM, AMI and Creative Formula will provide a stable source of revenue to the Group. The Group will continue to seek for new investment opportunities in other areas. In addition, the series of funds raised by means of open offer, placing and issue of convertible bonds during the period will strengthen and broaden the capital base of the Company and ensure the adequacy of the working capital for the Group's operations.

Change of Company Name

On 31 July 2009, the Company proposed that the name of the Company be changed from "Golife Concepts Holdings Limited (寶利福控股有限公司*)" to "China Star Film Group Limited (中國星電影集團有限公司)". The proposed change in name of the Company had been resolved as a special resolution by the shareholders of the Company at the special general meeting held on 7 September 2009. The Registrar of the Companies in Bermuda had granted approval for the proposed change in name of the Company on 8 September 2009. The changes of name and stock short name of the Company was effective on 23 October 2009.

* for identification purposes only

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

As at 30 September 2009, the interests and short position of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO); or which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules, were as follows:

Long Positions in the ordinary shares of HK\$0.01 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. Lai Hok Lim	—	6,240,000 <i>(Note 1)</i>	6,240,000	1.00%

Note:

- Mr. Lai Hok Lim, an executive Director, is deemed to be interested in 6,240,000 shares which would fall to be issued upon exercise of the 6,240,000 share options of the Company.

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:

Date of grant	Category of eligible persons	Exercise price (Note 1)	Exercise period	Outstanding	Granted	Exercised	Lapsed	Cancelled	Outstanding
				at 1/1/2009 (Note 1)	during the period	during the period	during the period	during the period	at 30/9/2009
03/07/2007	Directors	HK\$3.784	03/07/2007 to 05/03/2012	114,567	–	–	–	(114,567)	–
	Employees	HK\$3.784	03/07/2007 to 05/03/2012	57,284	–	–	–	(57,284)	–
03/09/2009	Directors	HK\$0.091	03/09/2009 to 02/09/2010	–	6,240,000	–	–	–	6,240,000
	Employees	HK\$0.091	03/09/2009 to 02/09/2010	–	12,480,000	–	–	–	12,480,000
	Consultants	HK\$0.091	03/09/2009 to 02/09/2010	–	43,680,000	–	–	–	43,680,000
				171,851	62,400,000	–	–	(171,851)	62,400,000

Note:

- (1) The exercise price and number of share option have been adjusted due to the completion of the share consolidation and the open offer on 6 April 2009 and 2 July 2009 respectively.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at 30 September 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 30 September 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\$0.01 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)	105,922,746	1,552,554,392	1,658,477,138	265.61%
Riche (BVI) Limited	Beneficial owner (Note 1)	105,922,746	1,552,554,392	1,658,477,138	265.61%
Brilliant Arts Multi-Media Holding Limited	Beneficial owner (Note 2)	—	436,681,222	436,681,222	69.93%
China Star Entertainment Limited	Beneficial owner (Note 3)	—	262,008,733	262,008,733	41.96%

Notes:

- (1) Riche (BVI) Limited ("Riche") is the beneficial owner of 105,922,746 shares. Adding the 1,552,554,392 shares pursuant to the conditional sale and purchase agreement dated 26 November 2008 entered into between Riche and the Company, Riche is deemed to be interested in 1,658,477,138 shares. 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 1,658,477,138 shares.
- (2) Brilliants Arts Multi-Media Holding Limited, a company listed on the GEM Board of the Stock Exchange, is deemed to be interested in 436,681,222 shares through its interest in the convertible bonds in the principal amount of HK\$100,000,000 issued by the Company.
- (3) China Star Entertainment Limited, a company listed on the Main Board of the Stock Exchange, is deemed to be interested in 262,008,733 shares through its interest in the convertible bonds in the principal amount of HK\$60,000,000 issued by the Company.

Save as disclosed above, at 30 September 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 30 September 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 nine months ended 30 September 2009.

CORPORATE GOVERNANCE

During the nine months ended 30 September 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 nine months ended 30 September 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 interim 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, 12 November 2009

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