

THIRD QUARTERLY REPORT 2010/2011



香港生命集團控股有限公司

HONG KONG LIFE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8212

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 board of directors (“**Directors**”) of Hong Kong Life Group Holdings Limited (“**Company**”, and together with its subsidiaries “**Group**”) collectively and individually accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited results of the Group for the three months and nine months ended 31 March 2011, together with comparative figures for the same corresponding period in 2010 were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue	2	6	707	13,994	3,780
Cost of sales		(4)	(698)	(5,280)	(3,763)
Gross profit		2	9	8,714	17
Other income and net gains	3	20,853	490	21,036	506
Share option expense	8	(1,844)	–	(1,844)	–
Selling and distribution expenses		(74)	–	(5,775)	–
Administrative and operating expenses		(24,617)	(11,675)	(37,498)	(27,339)
Operating loss		(5,680)	(11,176)	(15,367)	(26,816)
Finance costs		(24,870)	(3,892)	(38,985)	(21,683)
Loss before taxation		(30,550)	(15,068)	(54,352)	(48,499)
Income tax		–	–	–	–
Loss for the period from continuing operations		(30,550)	(15,068)	(54,352)	(48,499)
Profit for the period from discontinued operations		–	–	–	189,148
Net (loss)/profit for the period		(30,550)	(15,068)	(54,352)	140,649

CONDENSED CONSOLIDATED INCOME STATEMENT

(Continued)

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2011	2010	2011	2010
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Attributable to:					
Owners of the Company		(30,580)	(14,466)	(54,347)	141,301
Non-controlling interests		30	(602)	(5)	(652)
		(30,550)	(15,068)	(54,352)	140,649
Earnings/(loss) per share	6				
			(Restated)		(Restated)
From continuing and discontinued operations					
Basic		(HK1.87 cents)	(HK6.30 cents)	(HK1.94 cents)	HK76.63 cents
Diluted		N/A	N/A	N/A	HK62.89 cents
From continuing operations					
Basic		(HK1.87 cents)	(HK6.30 cents)	(HK1.94 cents)	(HK22.65 cents)
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	For the three months ended 31 March		For the nine months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net (loss)/profit for the period	(30,550)	(15,068)	(54,352)	140,649
Other comprehensive income/(loss):				
Exchange differences arising on translation of foreign operations	(16)	(125)	57	178
Reclassification adjustments relating to jointly-controlled entities disposed of during the period	-	-	-	(19,990)
Total comprehensive income/(loss) for the period	(30,566)	(15,193)	(54,295)	120,837
Attributable to:				
Owners of the Company	(30,580)	(14,554)	(54,295)	121,436
Non-controlling interests	14	(639)	-	(599)
Total comprehensive income/(loss) for the period	(30,566)	(15,193)	(54,295)	120,837

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 July 2010, the adoption has no significant impact on the Group's results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

The unaudited consolidated results have been prepared under the historical cost convention except that certain intangible assets and financial instruments are measured at fair values. The accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the Group's audited financial statements for the year ended 30 June 2010.

The unaudited consolidated results of the Group for the three months and nine months ended 31 March 2011 are unaudited but have been reviewed by the Company's Audit Committee.

2. REVENUE

Revenue represents amount receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

For management purpose, the Group is currently organized into three operating divisions. These divisions are the basis on which the Group reports its primary segment information for the three months and nine months ended 31 March 2011. Principle activities are as follows:

Trading of natural resources	–	Trading of edible oil products and mineral materials
Provision of shrine	–	Provision of shrine for memorial of ancestor
Paper-offering	–	Paper-offering business

An analysis of the Group's revenue was as follows:

	For the three months ended 31 March		For the nine months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Trading of natural resources	–	707	–	3,780
Provision of shrine	–	–	13,952	–
Paper-offering	6	–	42	–
	6	707	13,994	3,780

3. OTHER INCOME AND NET GAINS

	For the three months ended 31 March		For the nine months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net loss on sale of financial assets at fair value through profit or loss	(80)	–	(80)	–
Net gain on disposal of a subsidiary	20,663	–	20,663	–
Fair value gain on financial assets at fair value through profit or loss	283	–	283	–
Sundry (expenses)/income	(13)	490	170	506
	20,853	490	21,063	506

4. INCOME TAX

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly are exempted from payment of the British Virgin Islands income taxes.

No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits derived from Hong Kong for the nine months ended 31 March 2011 (2010: Nil).

PRC Enterprise Income Tax had not been provided for the PRC subsidiaries as they did not generate any assessable profits for the nine months ended 31 March 2011 (2010: Nil).

5. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the nine months ended 31 March 2011 (2010: Nil).

6. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

	For the three months ended 31 March		For the nine months ended 31 March	
	2011	2010	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Earnings/(loss)				
(Loss)/profit attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share	(30,580)	(14,466)	(54,347)	141,301
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds (net of tax)	-	-	-	20,549
(Loss)/earnings for the purpose of diluted earnings/(loss) per share	(30,580)	(14,466)	(54,347)	161,850
Number of shares				
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	1,632,358	229,462	2,807,515	211,211
Effect of dilutive potential ordinary shares:				
Share options	-	-	-	942
Convertible bonds	-	-	-	45,203
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	1,632,358	229,462	2,807,515	257,356

6. EARNINGS/(LOSS) PER SHARE *(Continued)***(a) From continuing and discontinued operations** *(Continued)*

The weighted average number of ordinary shares in issue for the three months and nine months ended 31 March 2010 used in the basic and diluted earnings/(loss) per share calculation have been restated to reflect the change in the number of ordinary shares as a result of the share consolidation and rights issue during the current period.

Diluted loss per share from continuing and discontinued operations for the three months ended 31 March 2010 and for the three months and nine months ended 31 March 2011 did not assume the conversion of the convertible bonds and exercise of the share options outstanding since the conversion and exercise would have an anti-dilutive effect.

(b) From continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to owners of the Company is based on the following data:

	For the three months ended 31 March		For the nine months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
(Loss)/profit attributable to owners of the Company	(30,580)	(14,466)	(54,347)	141,301
Less: profit from discontinued operations for the period	–	–	–	(189,148)
Loss for the purpose of basic loss per share from continuing operations	(30,580)	(14,466)	(54,347)	(47,847)

Diluted loss per share from continuing operations for the above periods did not assume the conversion of the convertible bonds and exercise of the share options outstanding since their conversion and exercise would have an anti-dilutive effect.

(c) From discontinued operations

No basic and diluted earnings per share from the discontinued operations has been presented for the three months and nine months ended 31 March 2011 (No basic and diluted earnings per share from discontinued operations has been presented for the three months ended 31 March 2010. HK89.55 cents per share and HK73.50 cents per share for basic and diluted earnings per share from discontinued operations for the nine months ended 31 March 2010, respectively. They are based on the profit for the nine months ended 31 March 2010 from discontinued operations of approximately HK\$189,148,000 and the denominators detailed above for both basic and diluted earnings per share).

7. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2011

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Convertible bonds reserve	Share options reserve	Translation reserves	Retained earnings/ (accumulated losses)	Discontinued operations	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2010 (Audited)	33,837	490,107	15,826	269,883	-	4,430	(126,989)	-	687,094	17,638	704,732
Total comprehensive (loss)/ income for the period	-	-	-	-	-	52	(54,347)	-	(54,295)	-	(54,295)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	(1,207)	(1,207)
Disposal of a subsidiary	-	-	-	-	-	(4,263)	-	-	(4,263)	(15,101)	(19,364)
Recognition of equity settled share-based payment	-	-	-	-	1,844	-	-	-	1,844	-	1,844
Issue of shares											
- on subscription of shares	741	11,856	-	-	-	-	-	-	12,597	-	12,597
- conversion of convertible bonds	19,373	303,182	-	(172,582)	-	-	-	-	149,973	-	149,973
- on rights issue	124,133	124,133	-	-	-	-	-	-	248,266	-	248,266
Transaction costs attributable to rights issue	-	(5,246)	-	-	-	-	-	-	(5,246)	-	(5,246)
At 31 March 2011 (Unaudited)	178,084	924,032	15,826	97,301	1,844	219	(181,336)	-	1,035,970	1,330	1,037,300
At 1 July 2009 (Audited)	17,628	96,722	15,826	10,712	-	4,090	(266,752)	19,990	(101,784)	15,055	(86,729)
Total comprehensive (loss)/ income for the period	-	-	-	(10,712)	-	125	152,013	(19,990)	121,436	(599)	120,837
Placing of new shares	1,600	37,400	-	-	-	-	-	-	39,000	-	39,000
Loan capitalization	1,222	37,428	-	-	-	-	-	-	38,650	-	38,650
Shares issued on exercise of options	167	1,757	-	-	-	-	-	-	1,944	-	1,944
At 31 March 2010 (Unaudited)	20,637	173,307	15,826	-	-	4,215	(114,739)	-	99,246	14,456	113,702

8. SHARE-BASED PAYMENTS TRANSACTION

On 2 February 2011 ("Date of Grant"), there were 17,800,000 shares options granted ("Share Options") under the post-IPO share option scheme adopted by the Company on 13 May 2002. The unaudited fair value of the Share Options amounted to approximately HK\$1,844,000 for the three months and nine months ended 31 March 2011. (For the three months and nine months ended 31 March 2010: Nil). The Share Options are exercisable from the Date of Grant to 1 February 2016.

The unaudited fair value of the Share Options was derived from Black-Scholes option pricing model by applying the following bases and assumptions:

Dividend yield	Nil
Expected volatility (i)	68.18%
Risk-free rate (ii)	1.92%
Contractual option life (years)	5
Exercise price (HK\$ per share)	0.180
Price of the Company's share at the Date of Grant (HK\$ per share) (iii)	0.180

Notes:

- (i) The expected volatility of the options was calculated based on the historical stock price of the Company. It is assumed that the volatility is constant throughout the option life.
- (ii) The risk free rate has made reference to the yield of the Hong Kong Exchange Fund Notes ("EFN") as at the Date of Grant. In this calculation, the yield of 5-year EFN has been adopted in the estimation of risk-free rate for the Share Options.
- (iii) The price of the Company's share disclosed as at the Date of Grant of the Share Options was the closing price on which the aforesaid share options were granted.
- (iv) The value of the options is subject to the limitations of the Black-Scholes option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in subjective input assumptions could materially affect the fair value estimate.
- (v) The outstanding share options as at 31 March 2011 had a weighted average remaining contractual life of 4.85 years (30 June 2010: Nil).
- (vi) If the share options are forfeited before expiration or lapsed, the related share option reserve will be transferred directly to the accumulated losses of the Company.

9. CAPITAL COMMITMENTS

	At	At
	31 March	30 June
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Capital expenditure in respect of the investment in a subsidiary authorized but not contracted for	–	44,667
Capital expenditure in respect of the properties under development authorized but not provided for	–	23,052
Capital expenditure in respect of sole distribution right of the paper-offering business contracted but not provided for	518	414
	<hr/> 518	<hr/> 68,133
	<hr/> 518	<hr/> 68,133

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Owing to the publication of the government list on the Review of Columbarium Policy in December 2010, most of the privately-run columbariums, including the Group's project in Yuen Long, Hong Kong was classified on list 2, the overall business of the industry has been adversely affected. The sale of ancestral shrines of the Group was therefore slow down for the three months ended 31 March 2011.

On 22 October 2010, the Planning Department issued notices under section 23(1) of the Town Planning Ordinance (the "Notices") to the subsidiaries of the Company. The Notices required the Group that by 22 April 2011, the uses over the land or premises owned by the Group shall be discontinued. On 14 February 2011, the Company's subsidiary issued the Originating Summons against the Director of Planning pursuant to the leave granted by the High Court of the Hong Kong Special Administrative Region in accordance with the Rules of the High Court in relation to the judicial review against the Notices.

Turning to the paper-offering business, small amount of orders were placed from customers in Hong Kong. With more newly developed paper-offering products from SKEA, the Group is confident that contribution from paper-offering business will continue to grow and contribute to the total turnover.

On 14 January 2011, Casdon Management Limited ("Casdon"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Advant Gain Holdings Limited ("Advant Gain") in relation to the acquisition of 50% equity interest in Max Strong Limited ("Max Strong"), a wholly-owned subsidiary of Advant Gain. Max Strong, through its wholly-owned subsidiary, Noble Best Investment Limited, holds 10% interests in the lands and houses (the "Land") in Yuen Long, Hong Kong whereas Casdon owns 90% interests in the Land before completion of the transaction. The transaction was completed on 17 January 2011.

Following the disposal of natural gas joint ventures and the termination of profit sharing rights with respect to the Xin Jiang Oilfield in financial year ended 30 June 2010, the Company entered into a sale and purchase agreement on 28 February 2011 with Rayman Holdings Limited, a third party independent of the Company and its connected persons, in relation to the disposal of its entire interest in Good United Management Limited ("GUM"), which was principally engaged in the natural gas joint venture business, to Rayman Holdings Limited at a consideration of US\$1. The disposal was completed on 28 February 2011.

Financial Review

The Group posted an unaudited consolidated revenue of approximately HK\$13.99 million for the nine months ended 31 March 2011 (2010: HK\$3.78 million), representing an increase of HK\$10.21 million or 270.1% as compared to the nine months ended 31 March 2010. The significant increase was primarily attributable to the revenue contributed by the provision of shrine amounted to approximately HK\$13.95 million for the period under review.

The selling and distribution costs was a commission relating to provision of shrine and sales of paper-offering of approximately HK\$5.78 million for the nine months ended 31 March 2011.

For the nine months ended 31 March 2011, the imputed interest on promissory notes of approximately HK\$32.17 million and legal and professional fee of approximately HK\$10.00 million were recorded, representing a marked increase of finance costs by approximately HK\$17.31 million to approximately HK\$38.99 million (2010: approximately HK\$21.68 million) and administrative and operating expenses by approximately HK\$10.16 million to approximately HK\$37.50 million (2010: approximately HK\$27.34 million), respectively.

Due to a net gain of approximately HK\$20.66 million on disposal of GUM, the expenses above were off-set accordingly. Loss from continuing operations was therefore slightly increased by approximately HK\$5.85 million to approximately HK\$54.35 million for the nine months ended 31 March 2011 (2010: approximately HK\$48.50 million).

To further strengthen the Group's financial resources and its operations as well as its future expansion, the Company issued and allotted 74,100,000 shares of HK\$0.01 each to a subscriber at a price of HK\$0.17 per share in August 2010.

On 27 October 2010, the Company proposed a share consolidation of every ten issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.10 each and a rights issue on the basis of three rights shares for every one consolidated share held. The share consolidation became effective on 3 December 2010. On 4 January 2011, 1,241,331,426 rights shares were allotted and issued to the qualifying shareholders at a subscription price of HK\$0.20 per rights share. Approximately HK\$241.59 million, net of expenses, was raised.

Prospects

In respect of the Notices issued by The Planning Department and the Originating Summons issued by the Company's subsidiary, according to the opinion of the legal counsel appointed by the Company, it is opined that if the Government decides to take action to enforce the Notices by instituting a prosecution under section 23(6) of the Town Planning Ordinance, it has to commence proceedings in a magistrates' court, the Group is then entitled to apply for a stay of such proceedings under O.53 r.3(10) of the Rules of the High Court as an interim relief pending the determination of the judicial review proceedings.

In the recent discussion paper for public consultation on the review of columbarium policy, the Hong Kong Government sets out some preliminary proposals for a licensing scheme to strengthen regulation of private columbarium and to enhance consumer protection in the choice of private columbarium facilities. A second public consultation on a more detailed framework of the licensing scheme will be initiated in order to give effect to the licensing scheme. The Group will take necessary action to cope with the requisite requirements. The Directors expected that, demand for ancestral shrine in Hong Kong will continue to grow in the middle to long run. Coupled with the fact that there will only be limited supply of ancestral shrine in Hong Kong in the foreseeable future, the Group is confident in gaining a stable stream of income from its project.

In view of the shrink of the edible oil trading business, the Directors will take appropriate measures to consolidate the Group's operations and to explore other potential investment opportunities in the future to enhance shareholders' value.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in underlying shares of the Company

Name of Directors	Capacity	Number of underlying shares held	Approximate percentage of issued shares
Mr. Lam Wai Pong	Personal	5,940,000 <i>(note 1)</i>	0.33%
Mr. Lau Chi Kwong	Personal	5,940,000 <i>(note 2)</i>	0.33%
Mr. Poon Lai Yin Michael	Personal	5,920,000 <i>(note 3)</i>	0.33%

Notes:

1. The personal interest of Mr. Lam Wai Pong represents an interest in 5,940,000 underlying shares in respect of options granted by the Company as detailed below.
2. The personal interest of Mr. Lau Chi Kwong represents an interest in 5,940,000 underlying shares in respect of options granted by the Company as detailed below.
3. The personal interest of Mr. Poon Lai Yin Michael represents an interest in 5,920,000 underlying shares in respect of options granted by the Company as detailed below.

Share Option Scheme

As at 31 March 2011, details of the share options granted under the share option scheme are as follows:

Name	Date of grant	Number of share options	Exercised during the period	Exercise price (HK\$ per share)	Exercise period	Number of share options outstanding as at 31 March 2011
Mr. Lam Wai Pong	2 February 2011	5,940,000	-	0.18	2 February 2011 to 1 February 2016	5,940,000
Mr. Lau Chi Kwong	2 February 2011	5,940,000	-	0.18	2 February 2011 to 1 February 2016	5,940,000
Mr. Poon Lai Yin Michael	2 February 2011	5,920,000	-	0.18	2 February 2011 to 1 February 2016	5,920,000

Save as disclosed above, as at 31 March 2011, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as 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 to 5.67 of the GEM Listing Rules.

DIRECTOR'S RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries 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 body corporate, and none of the Directors and chief executives 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 right during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2011, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO or, 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 the Company were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of ordinary shares held	Percentage of shareholding
Red Rabbit Capital Limited (Note 1)	Beneficial owner	365,282,000	20.51%
Kong Lung Cheung (Note 1)	Interest in controlled corporation	365,282,000	20.51%
Rich Gems Limited (Note 2)	Beneficial owner	117,240,066	6.58%
Hui Chi Kwan (Note 2)	Interest in controlled corporation	117,240,066	6.58%

Notes:

1. Mr. Kong Lung Cheung has equity interest of 100% of the issued share capital of Red Rabbit Capital Limited. The shares referred to herein relates to the same parcel of shares held by Red Rabbit Capital Limited.
2. Mr. Hui Chi Kwan has equity interest of 100% of the issued share capital of Rich Gems Limited. The shares referred to herein relates to the same parcel of shares held by Rich Gems Limited.

Save as disclosed above, as at 31 March 2011, the Company was not notified of any other relevant interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company issued and allotted 74,100,000 shares of HK\$0.01 each to a subscriber at a price of HK\$0.17 per share in August 2010.

On 16 November 2010, the Company repurchased 8 shares of HK\$0.01 each of the Company on the Stock Exchange at a cash consideration of HK\$0.42. These 8 shares were cancelled on 24 November 2010.

Save as disclosed above, during the nine months ended 31 March 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business that competed or might compete with the business of the Group.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' dealing in securities of the Company. The Company's Directors have complied with such code of conduct and the required standard of dealings.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions in the Code on Corporate Governance Practices of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, interim report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing the accounting principles and practices adopted by the Group as well as the auditing, internal control and financial reporting matters.

The audit committee consisted of three independent non-executive Directors, namely Ms. Li Mei Kuen, Mr. Siu Kwok Chung and Mr. Sit Bun. Ms. Li Mei Kuen is the chairman of the audit committee. The audit committee has reviewed the Group's unaudited results for the nine months ended 31 March 2011.

By Order of the Board

HONG KONG LIFE GROUP HOLDINGS LIMITED

香港生命集團控股有限公司

Lam Wai Pong

Chairman & Executive Director

Hong Kong, 5 May 2011

As at the date of this report, the directors of the Company ("**Directors**") are:

Executive Directors

Mr. Lam Wai Pong

Mr. Lau Chi Kwong

Mr. Poon Lai Yin Michael

Ms. Leung Wai Kuen Cerene

Independent Non-executive Directors

Ms. Li Mei Kuen

Mr. Siu Kwok Chung

Mr. Sit Bun