THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in KH Investment Holdings Limited, you should at once hand this Composite Document (as defined herein) and the accompanying Form of Acceptance (as defined herein) to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Splendor Glow Limited
(Incorporated in the British Virgin Islands with limited liability)

世紀城市國際控股有限公司
Century City International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock code: 355)

KH INVESTMENT HOLDINGS LIMITED
嘉 滙 投 資 控 股 有 限 公 司*
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock code: 8172)

COMPOSITE DOCUMENT RELATING TO THE VOLUNTARY CONDITIONAL CASH OFFERS BY INVESTEC CAPITAL ASIA LIMITED ON BEHALF OF SPLENDOR GLOW LIMITED (I) TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF KH INVESTMENT HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY SPLENDOR GLOW LIMITED AND CENTURY CITY INTERNATIONAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH ANY OF THEM); (II) TO ACQUIRE ALL OF THE OUTSTANDING CONVERTIBLE LOAN NOTE OF KH INVESTMENT HOLDINGS LIMITED; AND (III) FOR THE CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF KH INVESTMENT HOLDINGS LIMITED

Financial adviser to Splendor Glow Limited

Investec

Financial adviser to KH Investment Holdings Limited

Nuada Limited
Corporate Finance Advisory

Independent financial adviser to the Independent Board Committee

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

A letter from Investec Capital Asia Limited containing, among other things, details of the terms of the Offers (as defined herein) are set out on pages 6 to 15 of this Composite Document.

A letter from the Board (as defined herein) is set out on pages 16 to 25 of this Composite Document.

A letter from the Independent Board Committee (as defined herein) containing its recommendation to the Independent Shareholders (as defined herein), the CLN Holders (as defined herein) and the Option Holders (as defined herein) in relation to the Offers is set out on pages 26 to 27 of this Composite Document.

A letter from Goldin Financial Limited containing its opinion and advice to the Independent Board Committee, the Independent Shareholders, the CLN Holders and the Option Holders is set out on pages 28 to 43 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptance of the Offers must be received by the Registrar (as defined herein) or the company secretary of the Company (as the case may be) no later than 4:00 p.m. on Wednesday, 7 September 2011 or such later time and date as the Offeror may determine and announce with the consent of the Executive (as defined herein), in accordance with the Takeovers Code (as defined herein).

* *For identification purpose only*

17 August 2011

CONTENTS

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

	2011
Despatch date of this Composite Document and the accompanying Forms of Acceptance and commencement of the Offers	Wednesday, 17 August
Latest time and date for acceptance of the Offers on the First Closing Date *(Note 1)*	4:00 p.m. on Wednesday, 7 September
First Closing Date *(Note 2)*	Wednesday, 7 September
Announcement of the results of the Offers as at the First Closing Date to be posted on the Stock Exchange's website	not later than 7:00 p.m. on Wednesday, 7 September
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offers by the First Closing Date, assuming the Offers become or are declared unconditional on such date (Note 3)	Saturday, 17 September
Latest time and date for acceptance of the Offers if the Offers have been declared unconditional on the First Closing Date	4:00 p.m. on Wednesday, 21 September
Final closing date of the Offers if the Offers have been declared unconditional on the First Closing Date	Wednesday, 21 September
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offers on or before 4:00 p.m. on 21 September 2011 (Note 3)	Friday, 30 September
Latest date by which the Offers can be declared unconditional (Note 4)	Monday, 17 October

Notes:

1. The Offers will be subject to satisfaction of the conditions set out in the paragraph headed "Conditions of the Offers" in the "Letter from Investec" of this Composite Document, which include the Offeror having received acceptances (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date in respect of the Shares which, together with the Shares already held by the Offeror, Century City and parties acting in concert with any of them, constitute more than 50% of the voting rights of the Company. Unless the Offers have previously become or been declared unconditional or revised, the latest time for acceptance of the Offers is 4:00 p.m. on Wednesday, 7 September 2011. Pursuant to the Takeovers Code, where the Offers are declared unconditional, the Offers will remain open for acceptance for not less than 14 days thereafter. The Offeror will make an announcement as and when the Offers become unconditional.

2. The Offeror reserves the right to revise or extend the Offers until such time and/or date as it may determine and in accordance with the Takeovers Code. The Offeror will issue an announcement to be posted on the Stock Exchange's website by 7:00 p.m. on Wednesday, 7 September 2011, being the First Closing Date, as to whether the Offers have been revised or extended, have become or been declared unconditional.

3. Amounts due to each of the Independent Shareholders, CLN Holders and Option Holders who accepts the Offers should be paid by the Offeror as soon as possible but in any event within 10 days of the later of the date on which the Offers become, or are declared, unconditional and the date of receipt of the duly completed Form(s) of Acceptance in accordance with the Takeovers Code.

4. In accordance with the Takeovers Code, in the event that the Offers (whether revised or not) have not become or been declared unconditional as to acceptances on the 60th day after posting of this Composite Document, the Offers will lapse unless the Executive consents to a later date. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offers have previously become or are declared unconditional as to acceptances, the Offers will lapse after 7:00 p.m. on Monday, 17 October 2011, unless extended with the consent of the Executive.

Unless otherwise expressly stated, all time and date references contained in this Composite Document refer to Hong Kong time and date.

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

"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"Announcement"	the announcement dated 15 July 2011 issued by the Company in relation to, among other things, the Offers
"associate(s)"	has the meaning ascribed to it in the Takeovers Code or the GEM Listing Rules, as the context may require from time to time
"**BLUE** Form of Acceptance"	the form of acceptance and cancellation of the Share Options in **BLUE** in respect of the Option Offer
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Century City"	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued shares are listed on the Main Board of Stock Exchange (stock code: 355)
"Century City Group"	Century City and its subsidiaries
"Century City Shareholders"	the registered holder(s) of the ordinary share(s) of HK$0.10 each in the issued share capital of Century City from time to time
"CLN"	the convertible loan note due 24 September 2013 issued by the Company which was held as to HK$5,800,000 by Goldig Investment Group Limited and as to HK$400,000 by Mr. Cheung Pui Kay as at the Latest Practicable Date. Each of Goldig Investment Group Limited and Mr. Cheung Pui Kay is a third party independent of the Company, the Directors, the Offeror and their respective parties acting in concert with any of them. As at the Latest Practicable Date, Goldig Investment Group Limited held no Shares and Mr. Cheung Pui Kay held less than 5% interest of the issued share capital of the Company
"CLN Holder(s)"	holder(s) of the CLN

"CLN Offer"	the voluntary conditional cash offer as herein made by Investec on behalf of the Offeror for the acquisition of the CLN in accordance with the Takeovers Code
"CLN Offer Consideration"	the amount of HK$0.5133 for every HK$1 face value of the CLN payable by the Offeror to the CLN Holders who accept the CLN Offer
"Closing Date"	the First Closing Date or any subsequent closing date of the Offers as may be announced by the Offeror and approved by the Executive
"Company"	KH Investment Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the Shares of which are currently listed on the GEM of the Stock Exchange (stock code: 8172)
"Composite Document"	this composite offer and response document dated 17 August 2011 jointly issued by the Offeror and the Company together with the Forms of Acceptance in relation to the Offers
"Conversion Shares"	12,731,006 new Shares to be issued upon the conversion of the CLN in full at the prevailing conversion price of HK$0.487 per Share (subject to adjustment)
"Director(s)"	the director(s) of the Company from time to time
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"First Closing Date"	Wednesday, 7 September 2011, being the first closing date for the Offers
"Form(s) of Acceptance"	one or more of the **BLUE** Form of Acceptance and/or **PINK** Form of Acceptance and/or **WHITE** Form of Acceptance (as the context may require), being part of this Composite Document
"GEM"	Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Board Committee"	the independent committee of the Board, comprising all the non-executive Directors, namely Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng, formed to advise the Independent Shareholders, the CLN Holders and the Option Holders in respect of the Offers
"Independent Financial Adviser"	Goldin Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee
"Independent Shareholders"	Shareholders other than the Offeror, Century City and parties acting in concert with any of them
"Initial Announcement"	the announcement dated 4 July 2011 published by the Company in relation to the purchase of 151,000,000 Shares by the Century City Group
"Initial Offer Announcement"	the announcement dated 13 July 2011 issued by the Offeror and Century City in respect of the Offers
"Investec"	Investec Capital Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to Century City and the Offeror
"Last Trading Day"	12 July 2011, being the last full trading day before trading of the Shares was suspended pending the release of the Announcement
"Latest Practicable Date"	15 August 2011, being the latest practicable date for the purpose of ascertaining certain information in this Composite Document
"Long Stop Date"	Monday, 17 October 2011
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Offer Consideration"	the maximum consideration of approximately HK$102.0 million (equivalent to HK$0.25 per Offer Share) payable by the Offeror to the holders of the Offer Shares in respect of full acceptance under the Share Offer
"Offer Period"	has the meaning ascribed to it under the Takeovers Code and commencing from the date of the Initial Announcement

"Offer Price"	the amount of HK$0.25 per Offer Share payable by the Offeror to the holders of the Offer Shares for each Offer Share accepted under the Share Offer
"Offer Shares"	all the Shares other than those already owned or agreed to be acquired by the Offeror, Century City and parties acting in concert with any of them
"Offeror"	Splendor Glow Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Century City
"Offers"	the Share Offer, the CLN Offer and the Option Offer
"Option Holder(s)"	holder(s) of the Share Options
"Option Offer"	the voluntary conditional cash offer as herein made by Investec on behalf of the Offeror for the cancellation of the Share Options in accordance with the Takeovers Code
"Option Offer Consideration"	the amount of HK$0.00001 per Share Option payable by the Offeror to the Option Holders for each Share Option accepted under the Option Offer
"Option Shares"	40,780,000 new Shares to be issued upon the exercise of the outstanding Share Options
"Overseas CLN and Option Holder(s)"	holder(s) of the CLN whose registered address(es) as entered in the register of noteholders maintained by the Company is (are) outside Hong Kong and/or holder(s) of the Share Options who is (are) citizen(s) or resident(s) or national(s) of jurisdiction outside Hong Kong
"Overseas Independent Shareholder(s)"	Independent Shareholder(s) whose registered address(es) as shown on the register of members of the Company is(are) outside Hong Kong
"**PINK** Form of Acceptance"	the form of acceptance and transfer of the CLN in **PINK** in respect of the CLN Offer
"Registrar"	Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, the branch share registrar of the Company in Hong Kong
"Relevant Period"	the period from 5 January 2011, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	the registered holder(s) of the Share(s) from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Share Offer"	the voluntary conditional cash offer as herein made by Investec on behalf of the Offeror for the Offer Shares in accordance with the Takeovers Code
"Share Options"	the outstanding options granted under the share option scheme of the Company approved and adopted by the Shareholders at a special general meeting of the Company on 6 March 2002
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Code on Takeovers and Mergers
"**WHITE** Form of Acceptance"	the form of acceptance and transfer of the Offer Shares in **WHITE** in respect of the Share Offer
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

Investec

Investec Capital Asia Limited
Room 3609, 36/F, Two International Finance Centre
8 Finance Street, Central, Hong Kong
香港中環金融街8號國際金融中心二期36樓3609室
Tel/電話: (852) 3187 5000
Fax/傳真: (852) 2501 0171
www.investec.com

17 August 2011

To the Independent Shareholders, the CLN Holders and the Option Holders

Dear Sir or Madam,

VOLUNTARY CONDITIONAL CASH OFFERS BY INVESTEC CAPITAL ASIA LIMITED ON BEHALF OF SPLENDOR GLOW LIMITED (I) TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF KH INVESTMENT HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY SPLENDOR GLOW LIMITED AND CENTURY CITY INTERNATIONAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH ANY OF THEM); (II) TO ACQUIRE ALL OF THE OUTSTANDING CONVERTIBLE LOAN NOTE OF KH INVESTMENT HOLDINGS LIMITED; AND (III) FOR THE CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF KH INVESTMENT HOLDINGS LIMITED

INTRODUCTION

On 13 July 2011, the Offeror announced that it intended to make the Offers (in compliance with the Takeovers Code) through Investec (i) to acquire all the Shares not already owned or agreed to be acquired by the Offeror, Century City and parties acting in concert with any of them at the Offer Price of HK$0.25 per Offer Share; (ii) to acquire the CLN at the CLN Offer Consideration of HK$0.5133 for every HK$1 face value of the CLN; and (iii) for the cancellation of the Share Options at the Option Offer Consideration of HK$0.00001 per Share Option.

This letter sets out, among other things, details of the terms of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. Further details of the terms of the Offers are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance.

THE OFFERS

The Offeror, a wholly-owned subsidiary of Century City, notified the Company on 12 July 2011 that it intended to make the Offers (in compliance with the Takeovers Code) through Investec, on and subject to the terms set out in this Composite Document and the Forms of Acceptance accompanied herewith, (i) to acquire all the Shares not already owned or agreed to be acquired by the Offeror, Century City and parties acting in concert with any of them; (ii) to acquire the CLN; and (iii) for the cancellation of the Share Options, on the basis as set out below.

Share Offer

For each Offer Share . . . . .HK$0.25 in cash

As set out in the Letter from the Board in this Composite Document, as at the Latest Practicable Date, there were a total of 505,649,726 Shares in issue. Save for (i) the CLN; and (ii) the 40,780,000 Share Options outstanding, the Company has no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the Offeror, Century City and parties acting in concert with any of them held 151,000,000 Shares, representing approximately 29.9% of the entire issued share capital of the Company. Save for the aforesaid, the Offeror, Century City and parties acting in concert with any of them do not have any other interests in the share capital or voting rights of the Company.

Comparison of value

The Offer Price of HK$0.25 per Offer Share represents:

(a) a premium of approximately 8.7% over the closing price of HK$0.23 per Share as quoted on the Stock Exchange on 12 July 2011, being the last trading day immediately before the date of the Announcement;

(b) the closing price of HK$0.25 per Share as quoted on the Stock Exchange on 30 June 2011, being the last full trading day immediately before the publication of the Initial Announcement by the Company regarding purchase of Shares by the Century City Group (the "Last Full Trading Day");

(c) a premium of approximately 12.1% over the average closing price of approximately HK$0.223 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Full Trading Day;

(d) a premium of approximately 8.7% over the average closing price of approximately HK$0.230 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Full Trading Day;

(e) a premium of approximately 6.4% over the closing price of HK$0.235 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(f) a premium of approximately 9.2% over the Company's audited consolidated net asset per Share of approximately HK$0.229 based on the Company's audited consolidated net assets of approximately HK$115.7 million as at 31 December 2010 and 505,649,726 Shares in issue as at the Latest Practicable Date.

Highest and lowest price of the Shares

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period preceding the Last Full Trading Day were HK$0.35 per Share on 6 April 2011 and HK$0.202 per Share on 24 and 25 March 2011.

CLN Offer

As set out in the Letter from the Board in this Composite Document, as at the Latest Practicable Date, the total outstanding principal amount of the CLN was HK$6,200,000 which is convertible into 12,731,006 Conversion Shares at the prevailing conversion price of HK$0.487 per Share. As required under Rule 13 of the Takeovers Code, the CLN Offer Consideration is regarded as the "see-through" price of the CLN. As such, the CLN Offer will be made on the following terms:

For every HK$1 face value of the CLN .... HK$0.5133 in cash

Option Offer

As set out in the Letter from the Board in this Composite Document, as at the Latest Practicable Date, there were 40,780,000 Share Options outstanding, which may confer rights to the Option Holders to subscribe for the Option Shares at the exercise price of HK$0.335 or HK$0.347 per Share Option subject to the public float of the Company is maintained. As the exercise price for the underlying Shares under the Share Options is above the Offer Price, Investec, on behalf of the Offeror, will make a nominal cash offer for the cancellation of the Share Options on the following terms:

For each Share Option .... HK$0.00001 in cash

As at the Latest Practicable Date, none of the Independent Shareholders, the CLN Holders and the Option Holders had undertaken to or notified the Offeror of its intention to accept or reject the Offers.

Conditions of the Offers

The Share Offer is conditional upon the satisfaction of the following conditions:

(a) valid acceptances having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date in respect of the Shares, which together with the Shares already held by the Offeror, Century City and parties acting in concert with any of them, constitute more than 50% of the voting rights of the Company;

(b) subject to Note 2 to Rule 30.1 of the Takeovers Code, there having been no material adverse change in the business, assets, financial or trading position or prospects of the Group taken as a whole since 31 March 2011; and

(c) the Shares remaining listed on the Stock Exchange and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended as at the close of the Offers or upon the Offers becoming unconditional, save for temporary suspension of trading as a result of the Offers.

The Offeror reserves the right to waive any of the conditions set out in (b) and (c) above.

The Offers are being made in compliance with the Takeovers Code, which is administered by the Executive. The CLN Offer and the Option Offer are conditional upon the Share Offer becoming or being declared unconditional in all respects.

The Offers may lapse if they do not become unconditional. The Independent Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company.

Total consideration of the Offers

On the basis of 505,649,726 Shares in issue as at the Latest Practicable Date and assuming (i) the outstanding 40,780,000 Share Options are exercised in full; and (ii) the CLN are converted into 12,731,006 Conversion Shares, the Share Offer based on the Offer Price values the equity value of the Company at approximately HK$139.8 million. Assuming that the Share Offer is accepted in full by the holders of the Offer Shares and on the basis that there will be 408,160,732 Offer Shares, the total amount of cash required to effect the Share Offer will be approximately HK$102.0 million.

On the basis of 505,649,726 Shares in issue as at the Latest Practicable Date and assuming no Share Options is exercised and the CLN is not converted, the Share Offer based on the Offer Price values the equity value of the Company at approximately HK$126.4 million. Assuming that the Share Offer is accepted in full by the holders of the Offer Shares and on the basis that there will be 354,649,726 Offer Shares, the total amount of cash required to effect the Share Offer will be approximately HK$88.7 million.

Financial resources

The Offers would be financed by the internal resources of Century City. The maximum cash consideration payable under the Offers, other than the Shares held by the Offeror, Century City and parties acting in concert with any of them, is approximately HK$102.0 million. Investec is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

Offer period

The Offers will be open for acceptance from the date of this Composite Document on Wednesday, 17 August 2011 to Wednesday, 7 September 2011, both days inclusive.

Closing of the Offers

If the conditions to the Offers are not satisfied (or, if permissible, waived) on or before the Closing Date, the Offers will lapse unless extended by the Offeror in accordance with the Takeovers Code. In that case, the Offeror will issue an announcement in accordance with the Takeovers Code as soon as practicable thereafter.

The latest date on which the Offeror can declare the Offers unconditional is the Long Stop Date. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on the Long Stop Date. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offers have previously become or are declared unconditional as to acceptances, the Offers will lapse after 7:00 p.m. on 17 October 2011, unless extended with the consent of the Executive. An announcement will be made both when the Offers become unconditional as to acceptances and when the Offers become unconditional in all respects.

EFFECTS OF ACCEPTING THE OFFERS

By accepting the Share Offer, the Independent Shareholders will sell their Offer Shares to the Offeror (or its nominee) free from all liens, claims, encumbrances and all third party rights and with all rights attached thereto as at the date of the Initial Offer Announcement or subsequently becoming attached to them, including the right to receive all dividends and declared, paid or made, if any, on or after the date of the Initial Offer Announcement. As set out in the Letter from the Board in this Composite Document, no dividend has been declared, or has been paid to the Shareholders, by the Company after the Initial Offer Announcement. The making of the Share Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Independent Shareholders with registered addresses in jurisdictions outside Hong Kong should acquaint themselves about and observe any applicable legal requirements in their own jurisdictions.

By accepting the CLN Offer, CLN Holders are deemed to have warranted to the Offeror that the CLN are free from all liens, claims, encumbrances and all third party rights and the CLN will be sold to and acquired by the Offeror together with all rights attaching thereto as at the date of the Initial Offer Announcement or subsequently becoming attached to them.

By accepting the Option Offer, Option Holders are deemed to have warranted to the Offeror that the Share Options surrendered are free from all liens, claims, encumbrances and all third party rights and the Share Options will be cancelled and renounced together with all rights attaching thereto as at the date of the Initial Offer Announcement or subsequently becoming attached to them.

Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares after the close of the Offers.

Settlement

Provided that the Offers have become, or have been declared, unconditional in all respects, settlement of the Offer Price, the CLN Offer Consideration and the Option Offer Consideration will be made in cash as soon as possible but in any event within ten days of the date on which (i) the relevant documents of title are received by or on behalf of the Offeror to render each such acceptance complete and valid; and (ii) the Offers become or are declared unconditional, whichever is later.

Stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% (as prescribed under the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong) of (i) the market value of the Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on acceptance of the Share Offer. The Offeror will arrange for payment of the stamp duty on behalf of the Independent Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

No stamp duty will be deducted from amounts payable by the Offeror to the CLN Holders and/or the Option Holders in connection with their acceptances of the CLN Offer and the Option Offer.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands on 10 June 2011 with limited liability. As at the Latest Practicable Date, the directors of the Offeror were Mr. LO Yuk Sui, Mr. Kenneth NG Kwai Kai, Mr. Donald FAN Tung, Mr. Kelvin LEUNG So Po, Mr. Jimmy LO Chun To, and Miss LO Po Man. As at the Latest Practicable Date, the Offeror was a wholly-owned subsidiary of Century City.

The Century City Group is principally engaged in property development and investment, construction and building related businesses, the investment in Regal Hotels International Holdings Limited (the listed associate of Century City) (together with its subsidiaries, the "Regal Group"), securities investment and other investments. The Regal Group is engaged in hotel operation and management, hotel ownership through its investment in Regal Real Estate Investment Trust ("Regal REIT"), asset management of Regal REIT, property development and investment, and other investments.

The Offeror is principally engaged in securities investment.

As at the Latest Practicable Date, other than 151,000,000 Shares, representing approximately 29.9% of the entire issued share capital of the Company, the Offeror, Century City and parties acting in concert with any of them did not hold any Shares or any options, warrants, derivatives or securities convertible or exchangeable into Shares. Other than the purchase of 151,000,000 Shares on the Stock Exchange on 29 and 30 June 2011 at the highest price of HK$0.25 per Share (which is equivalent to the Offer Price), none of the Offeror, Century City and parties acting in concert with any of them has dealt in any Shares or any options, warrants, derivatives or securities convertible into Shares during the period commencing on the date falling six months prior to the date of the Initial Announcement and ending on and including the Latest Practicable Date.

There are no outstanding derivatives in respect of securities of the Company that have been entered into by the Offeror, Century City and parties acting in concert with any of them. There are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeover Code in relation to shares of the Offeror or the Company and which might be material to the Offers. There are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Offers.

The Offeror, Century City and parties acting in concert with any of them have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of securities in the Company.

INFORMATION ON THE COMPANY

The Company was incorporated in the Cayman Islands and continued in Bermuda with limited liability, the Shares of which are currently listed on the GEM (stock code: 8172). The Company's principal activity is investment holding and the principal activities of its subsidiaries and jointly controlled entity are engaged in film production and distribution, the provision of artist management services and the provision of infrared thermal imaging and thermography solutions and consultancy services.

The financial information of the Group, as extracted from its annual report for the year ended 31 December 2010 and interim results announcement for the six months ended 30 June 2011, are as follows:

	For the six months ended 30 June 2011	For the year ended 31 December 2010	2009
	HK$'000	*HK$'000*	*HK$'000*
Turnover	21,511	21,790	7,198
(Loss)/profit for the year/period	(1,432)	(52,453)	26,099

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
Total assets	136,898	138,064
Total liabilities	20,223	22,366
Net assets	116,675	115,698

REASONS FOR AND BENEFITS OF THE OFFERS AND THE OFFEROR'S INTENTION FOR THE BUSINESS OF THE GROUP

Under the Offers, it is Century City's intention to acquire a majority interest in the Company. The majority of the Group's business is related to entertainment related business. Century City is interested in the existing business of the Company.

The Offeror intends to continue the principal business of the Group, and will, following the Offers becoming or being declared unconditional, conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future development of the business of the Group. Subject to the results of the review and should suitable investment or business opportunities arise, the Offeror may consider diversifying the business of the Group into other investment and businesses including media and communications businesses with the objective to broaden its income source. However, no such investment or business opportunities have been identified as at the Latest Practicable Date. The Offeror has no intention to re-deploy the employees or the assets of the Group other than in the ordinary course of business. As at the Latest Practicable Date, the Offeror and the Board (i) had not entered into any agreement, arrangement, understanding or negotiation about any acquisition of assets (whether concluded or not); and (ii) had no assets injections agreed or under negotiation. The Offeror may consider nominating additional Directors to the Board following the Offers becoming or being declared unconditional subject to the Takeovers Code and other legal and regulatory requirements.

The directors of Century City consider that the Offers represent a strategic investment opportunity for the Century City Group and that the terms of the Offers are fair and reasonable and the making of the Offers is in the interests of Century City and the Century City Shareholders as a whole.

Maintaining the listing status of the Company

The Offeror intends for the Company to remain listed on the GEM after the close of the Offers.

According to the GEM Listing Rules, if, at the closing of the Offers, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The directors of the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after closing of the Offers.

So long as the Company remains a listed company, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Group will be subject to the provisions of the GEM Listing Rules.

The Stock Exchange also has the power to aggregate a series of transactions of the Group and any such transactions may result in the Company being treated as if it were a new listing applicant and will subject to the requirements for new listing applicants as set out in the GEM Listing Rules.

TAX IMPLICATIONS

None of Century City, the Offeror, Investec, or any of their respective directors or any other parties involved in the Offers is in a position to advise the Independent Shareholders, the CLN Holders and the Option Holders on their individual tax implications. The Independent Shareholders, the CLN Holders and the Option Holders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offers. None of Century City, the Offeror, Investec, the Registrar, the professional advisers to Century City and the Offeror or any of their respective directors or any other parties involved in the Offers accepts any responsibility for any tax effect on, or liabilities of, the Independent Shareholders, the CLN Holders and the Option Holders.

OVERSEAS INDEPENDENT SHAREHOLDERS AND OVERSEAS CLN AND OPTION HOLDERS

As the Offers made to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are resident, the Overseas Independent Shareholders and the Overseas CLN and Option Holders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should acquaint themselves with and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Independent Shareholders and the Overseas CLN and Option Holders who wish to accept the Offers to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by the Overseas Independent Shareholders and the Overseas CLN and Option Holders who accept the Offers in respect of such jurisdiction). None of the Offeror, Century City, Investec or any of their respective directors or professional advisers or any other parties involved in the Offers accepts any responsibility for any tax effect on, or liabilities of, the Overseas Independent Shareholders and the Overseas CLN and Option Holders.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owners should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in nominee names to accept the Share Offer, it is essential that they provide instructions of their intentions with regard to the Offers to their nominees.

All documents and remittances to the Independent Shareholders, the CLN Holders and the Option Holders will be sent to them by ordinary post at their own risk to their addresses as they appear in the register of members of the Company (in the case of the Share Offer) or the register of CLN Holders (in the case of the CLN Offer) or the register of the Option Holders (in the case of the Option Offer) or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the branch register of members of the Company, as applicable. None of the Offeror, the Company, Investec nor any of their respective directors or professional advisers or any other persons involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the "Letter from the Independent Board Committee" as set out on pages 26 to 27 and to Appendix I "Further Terms and Procedures of Acceptance of the Offers" on pages 44 to 53 of this Composite Document which contain the details of the Offers.

You are recommended to read this Composite Document and the accompanying Forms of Acceptance.

Your attention is also drawn to the information set out in the appendices to this Composite Document. In considering what action to take in connection with the Offers, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited

Ambrose Lam	**Jimmy Chung**
Chief Executive Officer	*Executive Director*

KH INVESTMENT HOLDINGS LIMITED
嘉滙投資控股有限公司*
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock code: 8172)

Executive director of the Company:
Mr. Lai Hok Lim (Chairman)

Independent non-executive directors of the Company:
Mr. Yip Tai Him
Mr. Law Yiu Sang, Jacky
Ms. Chio Chong Meng

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

Head office and principal place of business in Hong Kong:
Unit 3407, 34/F
Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

17 August 2011

To the Independent Shareholders,
the CLN Holders and the Option Holders

Dear Sir or Madam,

VOLUNTARY CONDITIONAL CASH OFFERS BY INVESTEC CAPITAL ASIA LIMITED ON BEHALF OF SPLENDOR GLOW LIMITED (I) TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF KH INVESTMENT HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY SPLENDOR GLOW LIMITED AND CENTURY CITY INTERNATIONAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH ANY OF THEM); (II) TO ACQUIRE ALL OF THE OUTSTANDING CONVERTIBLE LOAN NOTE OF KH INVESTMENT HOLDINGS LIMITED; AND (III) FOR THE CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF KH INVESTMENT HOLDINGS LIMITED

* *For identification purpose only*

INTRODUCTION

On 4 July 2011 the Board announced that the Company had received a letter from Iu, Lai & Li, the legal advisers to Aikford Financial Services Limited, informing them that Aikford Financial Services Limited had, on 29 June and 30 June 2011, acquired in aggregate 151,000,000 Shares on market, representing approximately 29.86% of the entire issued share capital of the Company, and was contemplating making a general offer for all the outstanding Shares. Aikford Financial Services Limited is a wholly-owned subsidiary of Century City which is a company whose shares are listed on the Main Board of the Stock Exchange.

On 12 July 2011, the Company received a letter from Investec, the financial adviser to the Century City Group, that it intended to make the Offers (in compliance with the Takeovers Code) through Investec (i) to acquire all the Shares not already owned or agreed to be acquired by the Offeror, the Century City Group and parties acting in concert with any of them at the Offer Price of HK$0.25 per Offer Share; (ii) to acquire the CLN at the CLN Offer Consideration of HK$0.5133 for every HK$1 face value of the CLN; and (iii) for the cancellation of the Share Options at the Option Offer Consideration of HK$0.00001 per Share Option.

Pursuant to Rule 2.1 of the Takeovers Code, the Company is required to form an Independent Board Committee to consider the Offers and advise the Independent Shareholders, the CLN Holders and the Option Holders as to whether the Offers are, or are not, fair and reasonable and as to acceptance, and to appoint an independent financial adviser to advise the Independent Board Committee regarding the Offers in particular as to whether the Offers are, or are not, fair and reasonable and as to acceptance. Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng, all independent non-executive Directors, has been constituted to advise the Independent Shareholders, the CLN Holders and the Option Holders in relation to the Offers. Goldin Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offers, whose appointment has been approved by the Independent Board Committee.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group and the Offers, the recommendation of the Independent Board Committee to the Independent Shareholders, the CLN Holders and the Option Holders regarding the Offers, and the advice of the Independent Financial Adviser to the Independent Board Committee in relation to the Offers.

THE OFFERS

For and on behalf of the Offeror, Investec is making the Offers in compliance with the Takeovers Code on the following basis:

The Share Offer

For each Offer Share . . . . .HK$0.25 in cash

According to the letter from Investec in this Composite Document, the Offer Price of HK$0.25 per Offer Share represents:

(a) a premium of approximately 8.7% over the closing price of HK$0.23 per Share as quoted on the Stock Exchange on 12 July 2011, being the last trading day immediately before the date of the Announcement;

(b) the closing price of HK$0.25 per Share as quoted on the Stock Exchange on 30 June 2011, being the last full trading day immediately before the publication of the Initial Announcement by the Company regarding purchase of Shares by Century City Group (the "Last Full Trading Day");

(c) a premium of approximately 12.1% over the average closing price of approximately HK$0.223 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Full Trading Day;

(d) a premium of approximately 8.7% over the average closing price of approximately HK$0.230 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Full Trading Day;

(e) a premium of approximately 6.4% over the closing price of HK$0.235 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(f) a premium of approximately 9.2% over the Company's audited consolidated net asset per Share of approximately HK$0.229 based on the Company's audited consolidated net assets of approximately HK$115.7 million as at 31 December 2010 and 505,649,726 Shares in issue as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had (i) 505,649,726 Shares in issue; (ii) 40,780,000 outstanding Share Options entitling the holders thereof to subscribe for 40,780,000 Shares; and (iii) the CLN in the amount of HK$6,200,000 entitling the holders thereof to convert into 12,731,006 Shares at an adjusted conversion price of HK$0.487 per Share.

Save as disclosed, the Company has no other options, warrants, derivatives or other securities that carry a right to subscribe for or which are convertible into Shares. The Share Offer will be extended on identical terms to all new Shares issued at any time before the Closing Date upon the exercise of the subscription rights attaching to any of the outstanding Share Options or upon the exercise of the conversion rights attaching to the outstanding CLN.

Highest and lowest price of the Shares

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period preceding the Last Full Trading Day were HK$0.35 per Share on 6 April 2011 and HK$0.202 per Share on 24 and 25 March 2011.

The CLN Offer

For every HK$1 face value of the CLN . . . . .HK$0.5133 in cash

As at the Latest Practicable Date, the total outstanding principal amount of the CLN is HK$6,200,000 which is convertible into 12,731,006 Conversion Shares at the prevailing conversion price of HK$0.487 per Share. The CLN was held as to HK$5,800,000 by Goldig Investment Group Limited and as to HK$400,000 by Mr. Cheung Pui Kay as at the Latest Practicable Date. Each of Goldig Investment Group Limited and Mr. Cheung Pui Kay is third party independent of the Company, the Directors, the Offeror and their respective parties acting in concert with any of them. As at the Latest Practicable Date, Goldig Investment Group Limited held no Shares and Mr. Cheung Pui Kay held 5,820,000 Shares, representing approximately 1.2% of the issued share capital of the Company. The Offeror is required under Rule 13 of the Takeovers Code to make comparable offers for all the CLN as part of the Offers and the CLN Offer Consideration is regarded as the "see-through" price of the CLN. The Offeror offers to pay HK$0.5133 in cash in respect of each Conversion Share in consideration of the surrender by the holders thereof of all their rights in respect of such Conversion Share.

The Option Offer

For each of the Share Options. . . . . .HK$0.00001 in cash

As at the Latest Practicable Date, there are 40,780,000 Share Options outstanding, which may confer rights to the holders thereof to subscribe for the Share Options at the exercise price of HK$0.335 or HK$0.347 per Share Option subject to the public float of the Company is maintained. As the exercise price for the underlying Shares under the Share Options is above the Offer Price, Investec, on behalf of the Offeror, will make a nominal cash offer for the cancellation of the Share Options.

The Offeror offers to pay HK$0.00001 in cash in respect of each Share Option in consideration of the surrender by the holders thereof of all their rights in respect of such Share Options.

Conditions of the Offers

The Share Offer is conditional upon:

(a) valid acceptances having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date of the Offers, which together with the issued Shares already held by the Offeror, Century City and parties acting in concert with any of them, constitute more than 50% of the voting rights of the Company;

(b) subject to Note 2 to Rule 30.1 of the Takeovers Code, there having been no material adverse change in the business, assets, financial or trading position or prospects of the Group taken as a whole since 31 March 2011; and

(c) the Shares remaining listed on the Stock Exchange and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended as at the close of the Offers or upon the Offers becoming unconditional, save for temporary suspension of trading as a result of the Offers.

The Offeror reserves the right to waive any of the conditions set out in (b) and (c) above.

The Offers are being made in compliance with the Takeovers Code, which is administered by the Executive. The CLN Offer and the Option Offer are conditional upon the Share Offer becoming or being declared unconditional in all respects.

Financial resources

(The paragraphs below have been reproduced from the letter from Investec in this Composite Document.)

The Offers would be financed by the internal resources of Century City. The maximum cash consideration payable under the Offers, other than the Shares held by the Offeror, Century City and parties acting in concert with any of them, is approximately HK$102.0 million. Investec is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

Offer period

(The paragraphs below have been reproduced from the letter from Investec in this Composite Document.)

The Offers will be open for acceptance from the date of this Composite Document on Wednesday, 17 August 2011 to Wednesday, 7 September 2011, both days inclusive.

Closing of the Offers

(The paragraphs below have been reproduced from the letter from Investec in this Composite Document.)

If the conditions to the Offers are not satisfied (or, if permissible, waived) on or before the Closing Date, the Offers will lapse unless extended by the Offeror in accordance with the Takeovers Code. In that case, the Offeror will issue an announcement in accordance with the Takeovers Code as soon as practicable thereafter.

The latest date on which the Offeror can declare the Offers unconditional is the Long Stop Date. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on the Long Stop Date. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offers have previously become or are declared unconditional as to acceptances, the Offers will lapse after 7:00 p.m. on 17 October 2011, unless extended with the consent of the Executive. An announcement will be made both when the Offers become unconditional as to acceptances and when the Offers become unconditional in all respects.

EFFECT OF ACCEPTING THE OFFERS

(The paragraphs below have been reproduced from the letter from Investec in this Composite Document.)

By accepting the Share Offer, the Independent Shareholders will sell their Offer Shares to the Offeror (or its nominee) free from all liens, claims, encumbrances and all third party rights and with all rights attached thereto as at the date of the Initial Offer Announcement or subsequently becoming attached to them, including the right to receive all dividends and declared, paid or made, if any, on or after the date of the the Initial Offer Announcement. No dividend has been declared, or has been paid to the Shareholders, by the Company after the Initial Offer Announcement. The making of the Share Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Independent Shareholders with registered addresses in jurisdictions outside Hong Kong should acquaint themselves about and observe any applicable legal requirements in their own jurisdictions.

By accepting the CLN Offer, the CLN Holders are deemed to have warranted to the Offeror that the CLN are free from all liens, claims, encumbrances and all third party rights and the CLN will be sold to and acquired by the Offeror together with all rights attaching thereto as at the date of the Initial Offer Announcement or subsequently becoming attached to them.

By accepting the Option Offer, Option Holders are deemed to have warranted to the Offeror that the Share Options surrendered are free from all liens, claims, encumbrances and all third party rights and the Share Options will be cancelled and renounced together with all rights attaching thereto as at the date of the Initial Offer Announcement or subsequently becoming attached to them.

Compulsory acquisition

(The paragraphs below have been reproduced from the letter from Investec in this Composite Document.)

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares after the close of the Offers.

Settlement

(The paragraphs below have been reproduced from the letter from Investec in this Composite Document.)

Provided that the Offers have become, or have been declared, unconditional in all respects, settlement of the Offer Price, the CLN Offer Consideration and the Option Offer Consideration will be made in cash as soon as possible but in any event within ten days of the date on which (i) the relevant documents of title are received by or on behalf of the Offeror to render each such acceptance complete and valid; and (ii) the Offers become or are declared unconditional, whichever is later.

Stamp duty

(The paragraphs below have been reproduced from the letter from Investec in this Composite Document.)

Seller's ad valorem stamp duty at a rate of 0.1% (as prescribed under the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong) of (i) the market value of the Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on acceptance of the Share Offer. The Offeror will arrange for payment of the stamp duty on behalf of the accepting Independent Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

No stamp duty will be deducted from amount payable by the Offeror to the CLN Holders and/or the Option Holders in connection with their acceptances of the CLN Offer and the Option Offer.

INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the Shares of which are currently listed on the GEM (stock code: 8172). The Company's principal activity is investment holding and the principal activities of its subsidiaries and jointly controlled entity are engaged in film production and distribution, the provision of artist management services and the provision of infrared thermal imaging and thermography solutions and consultancy services.

The financial information of the Group is disclosed in appendix II to this Composite Document.

INFORMATION ON THE OFFEROR

(This section has been reproduced from the letter from Investec in this Composite Document.)

The Offeror is a company incorporated in the British Virgin Islands on 10 June 2011 with limited liability. As at the Latest Practicable Date, the directors of the Offeror were Mr. LO Yuk Sui, Mr. Kenneth NG Kwai Kai, Mr. Donald FAN Tung, Mr. Kelvin LEUNG So Po, Mr. Jimmy LO Chun To, and Miss LO Po Man. As at the Latest Practicable Date, the Offeror was a wholly-owned subsidiary of Century City.

The Century City Group is principally engaged in property development and investment, construction and building related businesses, the investment in Regal Hotels International Holdings Limited (the listed associate of Century City) (together with its subsidiaries, the "Regal Group"), securities investment and other investments. The Regal Group is engaged in hotel operation and management, hotel ownership through its investment in Regal Real Estate Investment Trust ("Regal REIT"), asset management of Regal REIT, property development and investment, and other investments.

The Offeror is principally engaged in securities investment.

As at the Latest Practicable Date, other than 151,000,000 Shares, representing approximately 29.9% of the entire issued share capital of the Company, the Offeror, Century City and parties acting in concert with any of them did not hold any Shares or any options, warrants, derivatives or securities convertible or exchangeable into Shares. Other than the purchase of 151,000,000 Shares on the Stock Exchange on 29 and 30 June 2011 at the highest price of HK$0.25 per Share (which is equivalent to the Offer Price), none of the Offeror, Century City and parties acting in concert with any of them has dealt in any Shares or any options, warrants, derivatives or securities convertible into Shares during the period commencing on the date falling six months prior to the date of the Initial Announcement and ending on and including the Latest Practicable Date.

There are no outstanding derivatives in respect of securities of the Company that have been entered into by the Offeror, Century City and parties acting in concert with any of them. There are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeover Code in relation to shares of the Offeror or the Company and which might be material to the Offers. There are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Offers.

The Offeror, Century City and parties acting in concert with any of them have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of securities in the Company.

REASONS FOR AND BENEFITS OF THE OFFERS AND THE OFFEROR'S INTENTION FOR THE BUSINESS OF THE GROUP

(This section has been reproduced from the letter from Investec in this Composite Document.)

Under the Offers, it is Century City's intention to acquire a majority interest in the Company. The majority of the Group's business is related to entertainment related business. Century City is interested in the existing business of the Company.

The Offeror intends to continue the principal business of the Group, and will, following the Offers becoming or being declared unconditional, conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the business of the Group. Subject to the results of the review and should suitable investment or business opportunities arise, the Offeror may consider diversifying the business of the Group into other investment and businesses including media and communications businesses with the objective to broaden its income source. However, no such investment or business opportunities have been identified as at the Latest Practicable Date. The Offeror has no intention to re-deploy the employees or the assets of the Group other than in the ordinary course of business. As at the Latest Practicable Date, the Offeror and the Board (i) had not entered into any agreement, arrangement, understanding or negotiation about any acquisition of assets (whether concluded or not); and (ii) had no assets injections agreed or under negotiation. The Offeror may consider nominating additional Directors to the Board following the Offers becoming or being declared unconditional subject to the Takeovers Code and other legal and regulatory requirements.

The directors of Century City consider that the Offers represent a strategic investment opportunity for the Century City Group and that the terms of the Offers are fair and reasonable and the making of the Offers is in the interests of Century City and the Century City Shareholders as a whole.

Maintaining the listing status of the Company

(This section has been reproduced from the letter from Investec in this Composite Document.)

The Offeror intends for the Company to remain listed on the GEM after the close of the Offers.

According to the GEM Listing Rules, if, at the closing of the Offers, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The directors of the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after closing of the Offers.

So long as the Company remains a listed company, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Group will be subject to the provisions of the GEM Listing Rules.

The Stock Exchange also has the power to aggregate a series of transactions of the Group and any such transactions may result in the Company being treated as if it were a new listing applicant and will subject to the requirements for new listing applicants as set out in the GEM Listing Rules.

The Board is of the view that (a) the Offeror's plan to continue the existing business of the Group will enable the Company to maintain stability after the completion of the Offers; and (b) the Offeror will participate in the future development of the business of the Group which is in the interests of the Company and the Shareholders. The Board therefore considers that the terms of the Offers are fair and reasonable and that the Offeror's intention and plan in respect of the Company and its employees is in the interests of the Company and the Shareholders as a whole.

It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities or legal requirements.

Shareholders of the Company and potential investors should note that the Offers are subject to the conditions described in paragraph headed "Conditions of the Offers" above in this Composite Document and accordingly the Offers may or may not proceed, Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

RECOMMENDATIONS

The Independent Board Committee comprising Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng, all of whom are independent non-executive Directors, has been established to recommend to the Independent Shareholders, the CLN Holders and the Option Holders as to whether the terms of the Offers are fair and reasonable and as to acceptances of the Offers. The Independent Board Committee has approved the appointment of Goldin Financial Limited as the Independent Financial Adviser which advises the Independent Board Committee in respect of the Offers.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 26 to 27 of this Composite Document, which contains the recommendation of the Independent Board Committee to the Independent Shareholders, the CLN Holders and the Option Holders in respect of the Offers; and (ii) a letter from Goldin Financial Limited to the Independent Board Committee set out on pages 28 to 43 of this Composite Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offers and the principal factors considered by it in arriving at its opinions and recommendations.

ADDITIONAL INFORMATION

You are recommended to read this Composite Document and the Form of Acceptance for information relating to the Offers, taxation and procedures for acceptance and settlement of the Offers.

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

Yours faithfully,
By order of the Board
KH Investment Holdings Limited
Lai Hok Lim
Chairman

KH INVESTMENT HOLDINGS LIMITED
嘉滙投資控股有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock code: 8172)

Dear Sir or Madam,

VOLUNTARY CONDITIONAL CASH OFFERS BY INVESTEC CAPITAL ASIA LIMITED ON BEHALF OF SPLENDOR GLOW LIMITED (I) TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF KH INVESTMENT HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY SPLENDOR GLOW LIMITED AND CENTURY CITY INTERNATIONAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH ANY OF THEM); (II) TO ACQUIRE ALL OF THE OUTSTANDING CONVERTIBLE LOAN NOTE OF KH INVESTMENT HOLDINGS LIMITED; AND (III) FOR THE CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF KH INVESTMENT HOLDINGS LIMITED

17 August 2011

To the Independent Shareholders,
the CLN Holders and the Option Holders

We refer to the composite offer and response document dated 17 August 2011 jointly issued by and on behalf of the Offeror and the Company (the "**Composite Document**"), of which this letter forms part. Terms used herein shall have the same meanings as those defined in this Composite Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders, the CLN Holders and the Option Holders are concerned. Goldin Financial Limited has been appointed as the Independent Financial Adviser to advise us in this

* *For identification purpose only*

respect, details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from the Independent Financial Adviser in this Composite Document. We also wish to draw your attention to the letter from the Board in the Composite Document, the letter from the Offeror and the additional information set out in the appendices to this Composite Document.

Taking into account the terms of the Offers and the advice from the Independent Financial Adviser, we consider that the terms of the Offers are fair and reasonable so far as the Independent Shareholders, the CLN Holders and the Option Holders are concerned and therefore we recommend the Independent Shareholders, the CLN Holders and the Option Holders to accept the Offers. Accordingly, we recommend that you should approve and accept the Offer.

Notwithstanding our recommendation, the Independent Shareholders, the CLN Holders and the Option Holders should consider carefully the terms and conditions of the Offers.

Yours faithfully,
the Independent Board Committee

Mr. Yip Tai Him	**Mr. Law Yiu Sang, Jacky**	**Ms. Chio Chong Meng**
Independent non-executive director	*Independent non-executive director*	*Independent non-executive director*

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee in respect of the Offers, which has been prepared for the purpose of inclusion in the Composite Document.

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
23rd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

17 August 2011

To: the Independent Board Committee of
KH Investment Holdings Limited

Dear Sirs,

VOLUNTARY CONDITIONAL CASH OFFERS BY INVESTEC CAPITAL ASIA LIMITED ON BEHALF OF SPLENDOR GLOW LIMITED (I) TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF KH INVESTMENT HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY SPLENDOR GLOW LIMITED AND CENTURY CITY INTERNATIONAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH ANY OF THEM); (II) TO ACQUIRE ALL OF THE OUTSTANDING CONVERTIBLE LOAN NOTE OF KH INVESTMENT HOLDINGS LIMITED; AND (III) FOR THE CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF KH INVESTMENT HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to the independent board committee of the board of directors (the “Independent Board Committee”) of KH Investment Holdings Limited (the “Company”) in relation to the voluntary conditional cash offers being made by Investec Asia Capital Limited on behalf of Splendor Glow Limited (the “Offeror”) (i) to acquire all of the issued shares in the share capital of the Company other than those already owned or agreed to be acquired by the Offeror, Century City International Holdings Limited and parties acting in concert with any of them; (ii) to acquire all of the outstanding convertible loan note of the Company; and (iii) for the cancellation of all the outstanding share options of the Company (the “Offers”), details of which are set out in the composite document dated 17 August 2011 jointly issued by the Offeror and the Company (the “Composite Document”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The Offeror and Century City announced on 13 July 2011 and the Company announced on 15 July 2011 that Investec would make the Offers on behalf of the Offeror. As at the Latest Practicable Date, the Offeror, Century City and parties acting in concert with them held 151,000,000 Shares, representing approximately 29.86% of the issued share capital of the Company. The terms of the Offers are as follows:

1. The Share Offer
For each Offer Share .... HK$0.25 in cash

2. The CLN Offer
For every HK$1 face value of the CLN .... HK$0.5133 in cash

3. The Option Offer
For each of the Share Options .... HK$0.00001 in cash

Further terms and conditions of the Offers, including the procedures for acceptance, are set out in the Composite Document.

THE INDEPENDENT BOARD COMMITTEE

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng, has been established to advise and give recommendation to the Independent Shareholders, the CLN Holders and the Option Holders in respect of the Offers.

We, Goldin Financial Limited, have been appointed by the Company to advise the Independent Board Committee as to whether the terms of the Offers are fair and reasonable and whether the Independent Shareholders, CLN Holders and Option Holders should accept the Offers. Our appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, inter alia, the Initial Announcement, the Initial Offer Announcement, the Announcement, the annual reports of the Company for the three financial years ended 31 December 2008, 2009 and 2010 and the interim report of the Company for the six months ended 30 June 2011. We have also reviewed certain information provided by the management of the Company relating to the operation, financial condition and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the financials, businesses and future outlook of the Group. We have sought and received confirmation from the Directors that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as at the date hereof and the Shareholders will be notified of any material changes as soon as possible, if any, to the information and facts provided and expressed to us after the date of the Composite Document throughout the Offer Period. We have relied upon them in formulating our opinions.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Offeror, Century City and parties acting in concert with any of them, the terms and conditions of the Offers and the intention of the Offeror regarding the Company) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror, Century City and persons acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement herein or in the Composite Document misleading. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading. We consider that we have been provided with, and we have reviewed, all the documents and information that we consider necessary, inter alia, the Initial Announcement, the Initial Offer Announcement, the Announcement, the annual reports of the Company for the three financial years ended 31 December 2008, 2009 and 2010 and the interim report of the Company for the six months ended 30 June 2011, to arrive at our opinion regarding the terms of the Offers and to justify reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

We have not considered the tax implications on the Independent Shareholders, the CLN Holders or the Option Holders of their acceptance or non-acceptance of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders, the CLN Holders and the Option Holders who are residents outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee, we have taken into account the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in (i) film production and distribution; (ii) the provision of artist management services; and (iii) the provision of infrared thermal imaging and thermography solutions and consultancy services. Set out below are the audited financial information of the Group for the three years ended 31 December 2008, 2009 and 2010 and the unaudited financial information of the Group for the six months ended 30 June 2011:

Table 1: Financial highlights of the Group

	For the year ended 31 December			For the six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	*(unaudited)*
Turnover	74,122	7,198	21,790	12,603	21,511
Profit / (loss) attributable to Shareholders	(75,306)	26,099	(52,453)	(57,100)	(1,432)

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Non-current assets	2,006	134,604	15,579	15,568
Current assets	25,206	459,624	122,485	121,330
(Current liabilities)	(40,243)	(337,818)	(18,018)	(15,584)
Net current assets/ (liabilities)	(15,037)	121,806	104,467	105,746
Net assets/ (liabilities)	(44,650)	175,380	115,698	116,675

For the year ended 31 December 2008, the turnover of the Group increased from approximately HK$60.60 million to approximately HK$74.12 million compared with last year, representing an increase of approximately 22.31% and the loss attributable to Shareholders was approximately HK$75.31 million, representing an increase of approximately HK$16.93 million against previous year. As advised by the management of the Company, the turnover during the year was contributed by the business of distribution of high-end apparel and accessories and the unsatisfactory results for 2008 were mainly due to the global financial turmoil which had negative effect on economic conditions and consumer sentiment worldwide.

As at 31 December 2008, the audited net current liabilities and net liabilities of the Group amounted to approximately HK$15.04 million and approximately HK$44.65 million, respectively. The negative positions of the net current liabilities and the net liabilities of the Group were mainly resulted from the loss-making position of the Group recorded during the same year.

For the year ended 31 December 2009, the turnover of the Group dropped from approximately HK$74.12 million to approximately HK$7.20 million, representing a decrease of approximately 90.29%. As advised by the management of the Company, such decrease was mainly attributable to the restructuring of the Group's business which included, among others, (i) the acquisition of Shinhan-Golden Faith International Development Limited and World East Investments Limited which are beneficial owners of a service apartment in Beijing; (ii) the disposal of 81% equity interest in Amazing Goal International Limited which is principally engaged in distribution of high-end apparel and accessories; (iii) the acquisition of the entire issued share capital of China Star Management Limited and Anglo Market International Limited which are principally engaged in the business of artists management; (iv) the disposal of all of its equity interest (96.7%) in Beijing Suoma Real Estate Development Company Limited which was the beneficial owner of 193 residential units and 186 car parking spaces located in Beijing, the PRC; and (v) the acquisition of the entire issued share capital of Creative Formula Limited which is principally engaged in film production and distribution. The gain attributable to Shareholders of approximately HK$26.10 million as compared with a loss of approximately HK$75.31 million in prior year was mainly due to the increase in other income such as discount on acquisition and gain on deemed disposal of subsidiaries and a jointly controlled entity, the decrease of administrative expenses and the reversal of the deferred tax liabilities relating to the disposal of part of the investment properties located in Beijing, the PRC.

As at 31 December 2009, the audited net current assets and net assets of the Group amounted to approximately HK$121.81 million and approximately HK$175.38 million, respectively. The increase of net current assets and net assets was mainly attributable to the restructuring activities during the year as mentioned above.

For the year ended 31 December 2010, following a series of restructuring of the Group's business during the year as discussed below, the turnover of the Group was approximately HK$21.79 million, which contributed for approximately HK$7.20 million in the prior year. The loss attributable to Shareholders was approximately HK$52.45 million against the profit attributable to Shareholders of approximately HK$26.10 million last year mainly due to (i) the one-off gain of the reversal of deferred tax liabilities relating to the disposal of part of the investment properties of the Group of approximately HK$48.1 million in the prior year; and (ii) the loss on early redemption of convertible loan notes and promissory notes in 2010, totaling approximately HK$108.91 million. The Group continued to restructure its business in 2010, including, among others, (i) the acquisition of the entire issued share capital of Infrared Engineering & Consultants Limited which is principally engaged in providing infrared thermal imaging and thermography solutions and consultancy services; (ii) the disposal of the entire equity interest in Mega Shell Services Limited which held the investment properties of the Group in Beijing; (iii) the disposal of the remaining 19% equity interest in Amazing Goal International Limited which is principally engaged in the business of the distribution of high-end apparel and accessories; and (iv) the formation of an evenly owned joint venture with China Star Entertainment (BVI) Limited, which is principally engaged in production and distribution of films.

As at 31 December 2010, the audited net current assets and net assets of the Group amounted to approximately HK$104.47 million and approximately HK$115.70 million, respectively. The decrease in the net current assets of the Group was mainly due to the decrease in bank balances and cash.

For the six months ended 30 June 2011, the unaudited turnover of the Group from continuing operations increased from approximately HK$12.60 million to approximately HK$21.51 million, representing an increase of approximately 70.71% as compared to that of the previous respective period. The increase in turnover of the Group was mainly attributable to the growth in artist management services. Loss attributable to the Shareholders narrowed down from approximately HK$57.1 million to approximately HK$1.43 million. The improvement in earnings was mainly attributable to higher revenue stream and lower finance costs.

As at 30 June 2011, the unaudited net current assets and unaudited net assets of the Group amounted to approximately HK$105.75 million and approximately HK$116.68 million, respectively. There are no material changes for the net current assets and the net assets as compared with those as at 31 December 2010.

2. **Prospects of the Group**

Following the restructuring of the Group's business in 2009 and 2010, the Group has directed its focus on its continuing operations relating to media and entertainment, being artist management and film production, and its diversification into infrared consultancy service.

The Group's business is mainly sourced from the PRC, of which over 70% of the Group's turnover for the six months ended 30 June 2011 was generated. The artist management segment contributed for approximately 98.08% and approximately 98.35% of the Group's turnover for the year ended 31 December 2010 and the six months ended 30 June 2011, respectively. The film production segment contributed to the Group's turnover of less than 1% for the six months ended 30 June 2011 and there was no addition of any film right in the aforesaid period. According to the Company's 2011 interim report, two films are at the time being in their pre-production phases and are expected to be released for exhibition in the PRC and Hong Kong on or before the first quarter of 2012. In January 2011, the Company completed the formation of a joint venture engaging in production and distribution of films, with China Star Entertainment Limited ("China Star"), from which the Group may capitalise on China Star's experience and network for developing its film production business.

The Directors are optimistic of the Group's artist management and film production business as a whole in view of the increasing demand for entertainment in the PRC. As announced by the State Administration of Radio, Film and Television of the PRC, the overall box office earnings in the PRC for the first half of 2011 reached approximately RMB5.70 billion, representing a year-on-year growth of approximately 17.72%.

Notwithstanding the above, we consider that while the Group is expected to have its first film debut in the first quarter of 2012, the performance of the film production segment is dependent on the market and the audience's reception of its film production which will be reflected in the box office results. We also consider that the performance of the artist management business is affected by the trend of media and entertainment which can be from time to time changing. As such, we are of the view that the future performance of the Group's artist management and film production business can be volatile and is therefore uncertain.

With respect to the infrared consultancy service, we were given to understand that the Directors are optimistic of the infrared consultancy business since the infrared technology has wide applications including building condition survey and industry safety investigation and such business can benefit from the implementation of the mandatory building inspection scheme in Hong Kong. We noted that the infrared consultancy service segment contributed only approximately 1.92% and approximately 1.18% of the Group's revenue for the year ended 31 December 2010 and the six months ended 30 June 2011, respectively. As such, we are of the view that contribution from the infrared consultancy service business to the Group was insignificant and its potential effect on the Group's future performance is uncertain.

3. **Principal terms of the Share Offer**

The Offer Price is HK$0.25 per Offer Share, which is equivalent to the highest price per Share purchased by Aikford Financial Services Limited ("Aikford") on the Stock Exchange on 29 and 30 June 2011.

The Offer Price of HK$0.25 per Offer Share:

(i) represents a premium of approximately 8.7% over the closing price of HK$0.23 per Share as quoted on the Stock Exchange on 12 July 2011, being last trading day immediately before the date of the Announcement;

(ii) is equivalent to the closing price of HK$0.25 per Share as quoted on the Stock Exchange on 30 June 2011, being the last full trading day immediately before the publication of the Initial Announcement (the "Last Full Trading Day");

(iii) represents a premium of approximately 12.1% over the average closing price of approximately HK$0.223 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Full Trading Day;

(iv) represents a premium of approximately 8.7% over the average closing price of approximately HK$0.230 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Full Trading Day;

(v) represents a premium of approximately 9.2% over the audited consolidated net asset value of the Company of approximately HK$0.229 per Share based on the audited consolidated net assets of approximately HK$115.7 million as at 31 December 2010, being the date to which the latest audited consolidated financial results of the Group were made up and 505,649,726 Shares in issue as at the Latest Practicable Date;

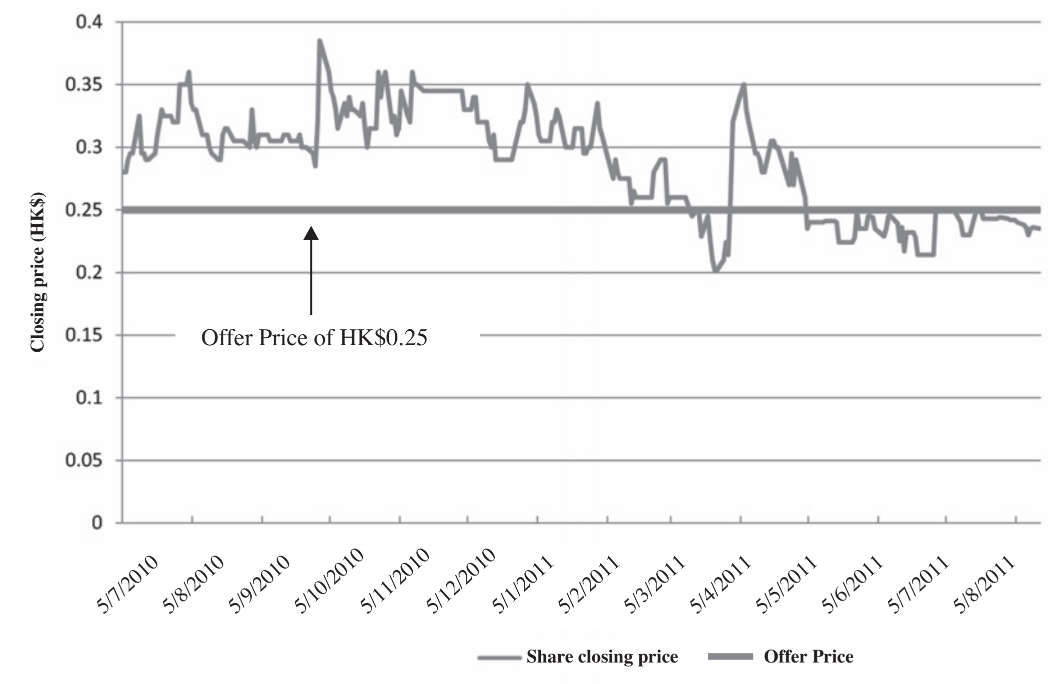
(vi) represents a premium of approximately 8.2% over the unaudited consolidated net asset value of the Company of approximately HK$0.231 per Share based on the unaudited consolidated net assets of approximately HK$116.68 million as at 30 June 2011 and 505,649,726 Shares in issue as at the Latest Practicable Date; and

(vii) represents a premium of approximately 6.4% over the closing price of HK$0.235 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Share price performance

Chart 1 below shows the daily closing price of the Shares versus the Offer Price for the period commencing from 4 July 2010, being the 12-month period prior to the date of the Initial Announcement, up to and including the Latest Practicable Date (the "Review Period"):

Chart 1: Share price performance



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

Note: Trading in the Shares was suspended from 17 November 2010 to 1 December 2010, on 4 July 2011 (afternoon session) and from 13 July 2011 to 15 July 2011

As shown in chart 1 above, during the Review Period, the closing price of the Shares showed a downward trend in general, with the highest closing price of HK$0.385 on 30 September 2010 and the lowest closing price of HK$0.202 on 24 and 25 March 2011. The Offer Price represents a discount of approximately 35.06% to the highest closing price and a premium of approximately 23.76% to the lowest closing price of the Shares and falls within the said range during the Review Period.

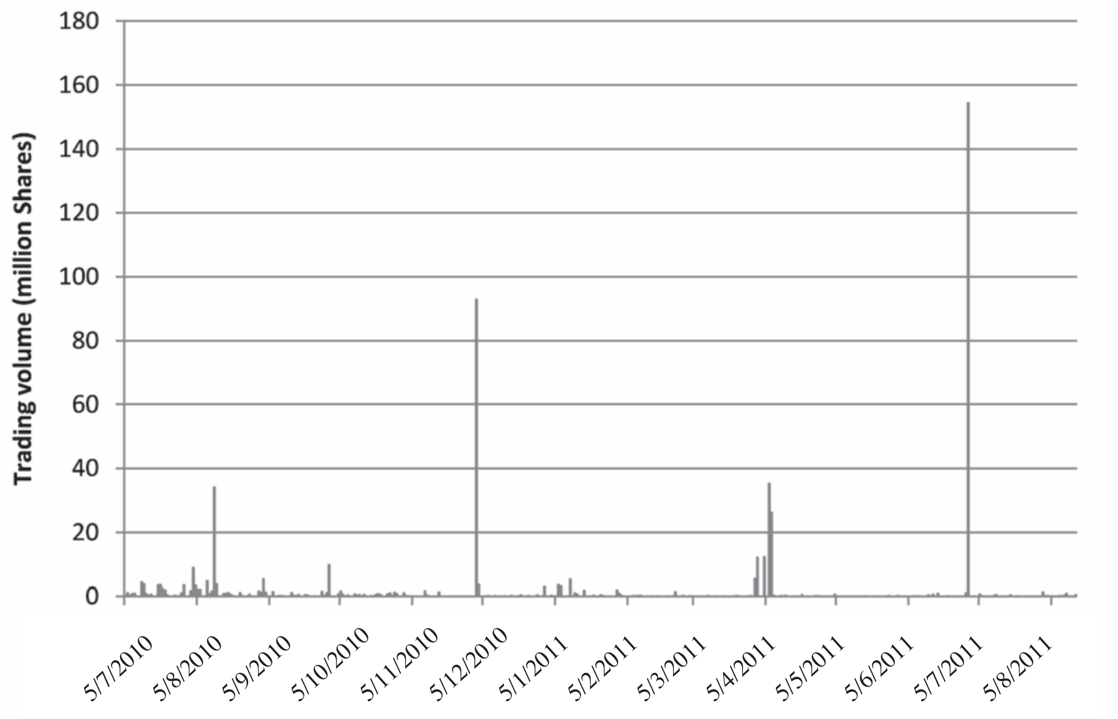
During the period from 4 July 2010 to 9 March 2011, the closing price of the Shares fluctuated in a range from HK$0.255 to HK$0.385. After the publication of a profit warning announcement by the Company on 10 March 2011, we noted that the closing price of the Shares was decreasing gradually from HK$0.26 on the same date and reached HK$0.224 on 29 March 2011. The closing price of the Shares then surged to HK$0.35 on 6 April 2011 after the publication of the announcement regarding the change of substantial shareholder of the Company. On 27 April 2011, the Company issued a profit warning announcement and the price of the Shares dropped from HK$0.295 to HK$0.27 the day after. It is observed that the closing price of the Shares was then on a decreasing trend in general and traded mostly below the Offer Price. On 4 July 2011, trading of the Shares was suspended during the afternoon session of the trading hours and subsequently on the same date, the Company announced that it was informed by Aikford, being the party acting in concert with the Offeror, that Aikford acquired in aggregate 151,000,000 Shares at HK$0.25 each and was contemplating the possibility of making a general offer. From 13 July 2011 to 15 July 2011, the trading of the Shares was suspended as requested by the Company pending the release of the Announcement. On 18 July 2011, being the first trading day of the Shares after publication of the Announcement, the closing price of the Shares increased to HK$0.25 from the closing price of HK$0.23 in previous day. Save for the Announcement, the Company did not issue any other announcement which is price-sensitive in nature from the date of the Announcement up to the Latest Practicable Date. Given the recent increase in the Share price is likely to be driven by the Offers and the aggregate purchase of the Shares by Aikford on the Stock Exchange, there is no assurance that the price of the Shares will remain at the current level if the Offers are withdrawn or lapse. Therefore, the market price may not be an appropriate indicator of the valuation of the Shares, in particular the realisable value one could get by disposing of the Shares in the open market. In the absence of a meaningful market of reasonable depth for the Shares, we consider that the Offer Price, which is equivalent to the highest price paid by the Offeror, Century City Group or parties acting in concert with them for the aggregate purchase of the Shares on the Stock Exchange on 29 and 30 June 2011, is fair and reasonable.

Historical trading volume of the Shares

Table 2: Historical trading volume of the Shares

Month	**Total trading volume** *(no. of Shares)*	**No. of trading days**	**Average daily trading volume** *(no. of Shares)*	**No. of outstanding Shares** *(no. of Shares)*	**Percentage of total trading volume to no. of outstanding Shares** *(Approximate %)*	**Percentage of average daily trading volume to no. of outstanding Shares** *(Approximate %)*
Jul-10 (from 5 July 2010 to 31 July 2010)	26,693,160	20	1,334,658	505,649,726	5.28	0.26
Aug-10	70,217,800	22	3,191,718	505,649,726	13.89	0.63
Sep-10	25,606,920	21	1,219,377	505,649,726	5.06	0.24
Oct-10	11,839,640	20	591,982	505,649,726	2.34	0.12
Nov-10	4,795,040	12	399,587	505,649,726	0.95	0.08
Dec-10	101,427,848	21	4,829,898	505,649,726	20.06	0.96
Jan-11	18,909,720	21	900,463	505,649,726	3.74	0.18
Feb-11	4,365,847	18	242,547	505,649,726	0.86	0.05
Mar-11	7,282,512	23	316,631	505,649,726	1.44	0.06
Apr-11	88,095,260	18	4,894,181	505,649,726	17.4	0.97
May-11	1,702,920	20	85,146	505,649,726	0.34	0.02
Jun-11	158,020,812	21	7,524,801	505,649,726	31.25	1.49
Jul-11	2,499,500	17	147,029	505,649,726	0.49	0.03
Aug-11 (Up to the Latest Practicable Date)	3,820,481	11	347,316	505,649,726	0.76	0.07

Chart 2: Liquidity of the Shares



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

Note: Trading in the Shares was suspended from 17 November 2010 to 1 December 2010, on 4 July 2011 (afternoon session) and from 13 July 2011 to 15 July 2011

As illustrated in table 2 above, we noted that the average daily trading volume of the Shares each month accounted for only a small portion of the outstanding Shares during the Review Period, which ranged from 85,146 Shares to approximately 7,524,801 Shares, representing approximately 0.02% to approximately 1.49% of the Shares in issue. Based on the above, the trading volume of the Shares during the Review Period was very thin with the average daily trading volume accounted for less than 1% of the Shares in issue in all months during the Review Period except for June 2011. Since the substantial increase in the trading volume of the Shares in June 2011 was mainly due to the purchase of 151,000,000 Shares by Aikford on the Stock Exchange, instead of changes in the fundamentals or the financial performance of the Company, we consider that the sustainability of such increase in the trading volume is uncertain and therefore it is appropriate to exclude the trading volume of the Shares in June 2011 for our analysis on the trading volume of the Shares. We are of the view that the overall liquidity of the Shares was extremely low during the Review Period.

Given the liquidity of the Shares was consistently low, it may be difficult for the Shareholders to dispose of a large number of the Shares in the open market without exerting a downward pressure on the price of the Shares. As such, we are of the view that the Share Offer provides an alternative exit for the Independent Shareholders to realise their investment in the Shares.

Comparison of the Offer Price

In assessing the fairness and reasonableness of the Offer Price, we have attempted to perform a price-to-earning multiple ("P/E Ratio") analysis, which is the most widely used and accepted method for valuing a business with recurrent income. Given the Company is at loss-making position for the financial year ended 31 December 2010, we consider that it is not feasible to assess the Offer Price using the P/E Ratio approach. Alternatively, we have adopted the price-to-book multiple ("P/B Ratio"), which is also one of the commonly adopted trading multiple analyses. As mentioned above, the Group is mainly engaged in (i) the provision of infrared thermal imaging and thermography solutions and consultancy services; (ii) the provision of artist management services; and (iii) film production and distribution. The revenue generated from artist management business accounted for approximately 98.08% of the turnover of the Group for 2010. We have discussed with the management of the Company regarding the business of the Group in details and are advised that regarding the film production business, two films are expected to be released in the first quarter of 2012 which would bring in revenue to the Group. To the best of our knowledge, effort and endeavor and based on the information available from the website of the Stock Exchange, we have identified three companies of which (i) are listed on the Stock Exchange; (ii) are principally engaged in both artist management services and film production and distribution businesses; (iii) generate revenue from artist management services and film production and distribution businesses of not less than 50% of the total revenue for the latest financial year; and (iv) have market capitalisation of less than HK$1 billion. Based on the aforesaid selection criteria, we consider the selected companies are of similar key business and of similar size, in terms of market capitalisation, to the Company, which are fair and representative samples, and could provide a general reference when assessing the fairness of the Offer Price. The list of the selected companies and their respective P/B Ratios, which is exhaustive, are set out below:

Table 3: Comparison with selected companies

Company name	**Stock code**	**Principal business**	**Market capitalisation** *(Note 1)* **(1)** *(HK$' million)*	**Net asset value** *(Note 2)* **(2)** *(HK$' million)*	**P/B Ratio** **(3)=(1)/(2)** *(times)*
See Corporation Limited	491	Film and TV programme production, event production, artiste and model management, music production, a pay TV operation and investment in securities.	124.55	298.24	0.42

Company name	**Stock code**	**Principal business**	**Market capitalisation** *(Note 1)* **(1)** *(HK$' million)*	**Net asset value** *(Note 2)* **(2)** *(HK$' million)*	**P/B Ratio** **(3)=(1)/(2)** *(times)*
Neo Telemedia Limited	8167	Sales and distribution of telecommunication products, provision of wireless services, production and sales of videos and films, licensing of video and copyrights, film rights and artiste management.	680.53	453.53	1.50
China 3D Digital Entertainment Limited	8078	Sales and distribution of telecommunication products, provision of wireless services, production and sales of videos and films, licensing of video and copyrights, film rights and artiste management.	156.38	34.25	4.57
			Median		1.50
			Mean		2.16
			Maximum		4.57
			Minimum		0.42
The Share Offer ***(Note 3)***			126.41	116.68	1.08

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

Notes:

(1) Based on the share closing price on the Latest Practicable Date.

(2) Based on the latest financial data as published in the respective annual/interim reports as at the Latest Practicable Date.

(3) Calculated using the Offer Price of HK$0.25 per Share

As illustrated in table 3 above, based on the relevant latest published annual/interim report and the share closing price of the selected companies as at the Latest Practicable Date, the selected companies are trading at P/B Ratios ranging from approximately 0.42 times to approximately 4.57 times, with a mean and median of approximately 2.16 times and approximately 1.50 times respectively. The P/B Ratio of approximately 1.08 times of the Company represented by the Offer Price over the Company's unaudited net asset value per Share as at 30 June 2011 falls within the range of the P/B Ratios of the selected companies and is below the mean and the median of the P/B Ratios of the selected companies.

In view of (i) the Company was loss-making position for the year ended 31 December 2010 and for the six months ended 30 June 2011; (ii) the Share Offer Price represents a premium over both the latest audited consolidated net asset value per Share of the Company as at 31 December 2010 and unaudited consolidated net asset value per Share of the Company as at 30 June 2011; (iii) the P/B Ratio as implied by the Share Offer Price falls within the range of the P/B Ratios of the selected companies; and (iv) the Share Offer provides an alternative exit for the Independent Shareholders to realise their investment in Shares, we consider that the Offer Price is fair and reasonable.

4. **Background and intention of the Offeror**

As stated in the letter from Investec of the Composite Document, the Offeror is a company incorporated in the British Virgin Islands on 10 June 2011 with limited liability and is principally engaged in securities investment. As at the Latest Practicable Date, the Offeror was a wholly-owned subsidiary of Century City. The Century City Group is principally engaged in property development and investment, construction and building related businesses, the investment in Regal Group, securities investment and other investments. The Regal Group is engaged in hotel operation and management, hotel ownership through its investment in Regal REIT, asset management of Regal REIT, property development and investment, and other investments.

The Offeror intends to continue the principal business of the Group, and will, following the Offers becoming or being declared unconditional, conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider diversifying the business of the Group into other investments and businesses including media and communications businesses with an objective to broaden its income source. However, no such investment or business opportunities have been identified as at the Latest Practicable Date.

The Offeror has no intention to re-deploy the employees or the assets of the Group other than in the ordinary course of business. The Offeror may consider to nominate additional Directors to the Board following the Offers becoming or being declared unconditional subject to the Takeovers Code and other regulatory requirements. An appropriate announcement will be made if there is any proposed change in the composition of the Board and any new appointment of Directors.

As mentioned above, the Offeror intends to continue the existing principal business of the Group and may consider diversifying the business of the Group into other investments and businesses including media and communications businesses. We are of the view that such business or investment opportunities in media and communications businesses, if materialised, could leverage on the Group's experience and expertise in the business area of media and entertainment. However, it is uncertain that any of such business or investment opportunities would be identified, or if, materialised, such projects would bring positive impacts on the Group. In view of the above, we consider it is uncertain that the diversification of the Group into other investments and businesses including media and communications businesses, if materialised, would have a positive impact on the Group.

RECOMMENDATIONS

The Share Offer

Having considered the abovementioned principal factors and reasons, and after taking into account that:

- the prospects of the Group is uncertain;
- the trading volume of the Shares during the Review Period was generally thin which Shareholders may find it difficult to dispose of a large number of Shares in the open market without exerting a downward pressure on the price of the Shares and the Share Offer provides an alternative exit for the Independent Shareholders to realise their investment in the Shares;
- the Offer Price represents (i) a premium of approximately 8.7% over the closing price of HK$0.23 per Share as quoted on the Stock Exchange on 12 July 2011, being last trading day immediately before the date of the Announcement; (ii) a premium of approximately 9.2% over the audited consolidated net asset value of the Company of approximately HK$0.229 per Share based on the audited consolidated net assets of approximately HK$115.7 million as at 31 December 2010; and (iii) a premium of approximately 8.2% over the unaudited consolidated net asset value of the Company of approximately HK$0.231 per Share based on the unaudited consolidated net assets of approximately HK$116.68 million as at 30 June 2011;
- the Share Offer provides an opportunity for the Shareholders to realise their investment in the Company; and
- the P/B Ratio as implied by the Offer Price falls within the range of the P/B Ratios of the selected companies in Table 3 above,

We consider that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer.

Those Independent Shareholders who have a positive view on the Group's future prospects may retain part or all of their shareholdings in the Company and should note that the trading volume of the Shares during the Review Period was generally thin. Accordingly, the Independent Shareholders may consider the Share Offer as an alternative exit for their investments.

The Independent Shareholders are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Share Offer even though the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Share Offer.

The CLN Offer

As at the Latest Practicable Date, the total outstanding principal amount of the CLN was HK$6,200,000 which will be subject to the CLN Offer. A maximum of 12,731,006 Conversion Shares will be allotted and issued upon the exercise of the conversion rights attached to the CLN at the prevailing conversion price of HK$0.487 per Share. For details of the CLN, please refer to the announcement of the Company dated 9 July 2008. Based on the Share Offer Price of HK$0.25 per Share divided by the prevailing conversion price of the CLN of HK$0.487 per Share, the CLN Offer Consideration is HK$0.5133 for each HK$1 face value of the CLN. The CLN are free from all liens, claims, encumbrances and all third party rights and the CLN will be acquired by the Offeror together with all rights attaching thereto as at the date of the Initial Offer Announcement or subsequently becoming attached to them.

On the basis of each HK$1 face value of the CLN will be offered for HK$0.5133 in cash and the conversion price of the CLN of HK$0.487 per Share, each underlying Share which may fall to be allotted and issued upon the exercise of the conversion rights attached to the CLN will be valued at HK$0.25 under the CLN Offer, which is equivalent to the Offer Price.

In this respect, we consider the basis of determining the CLN Offer Consideration is acceptable. On such basis and given our view that the terms of the Share Offer are fair and reasonable, the terms of the CLN Offer are fair and reasonable so far as the CLN Holders are concerned. Accordingly, we recommend the Independent Board Committee to advise the CLN Holders to accept the CLN Offer.

The CLN Holders are strongly advised that the decision to accepting the CLN Offer or to convert the CLN and hold their investment in the Shares is subject to individual circumstances and investment objectives.

The Option Offer

The Option Offer Consideration for each Share Option is HK$0.00001. Any Option Holders accepting the Option Offer in respect of all or part of their Share Options are deemed to have warranted to the Offeror that such Share Options are free from all liens, claims, encumbrances and all third party rights and will surrender and give up the subscription rights attaching to the relevant Share Options together with all rights attaching thereto as at the date of the Initial Offer Announcement or subsequently becoming attached to them. The Option Holders should note that, pursuant to the share option scheme of the Company, if the Share Offer becomes or is declared unconditional prior to the expiry date of the Share Options, the Option Holders shall be entitled to exercise the Share Options in full at any time within 21 days after the despatch of the Composite Document. As at the Latest

Practicable Date, the Company had 40,780,000 Share Options outstanding which confer rights to Option Holders to subscribe for the Option Shares at the exercise price of HK$0.335 or HK$0.347 per Option Share subject to the public float of the Company is maintained. The consideration payable by the Offeror for the Option Offer for the cancellation of all Share Options is HK$407.8.

The Share Options are out-of-the-money as the exercise price of HK$0.335 and HK$0.347 per Option Share are higher than the Offer Price and the closing price of HK$0.235 per Share as at the Latest Practicable Date. As such, the Share Options have no intrinsic value, as it is not feasible for Option Holders to exercise the Share Options and realise return from disposing the Option Shares in the open market. In such circumstances, the cash payment under the Option Offer for the cancellation of the Share Options, being the Option Offer Consideration, will be a nominal amount of HK$0.00001 per Share Option, which in our view is fair and reasonable so far as the Option Holders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Option Holders to accept the Option Offer.

The Option Holders are hereby advised to consider whether to exercise their Share Options and selling the Option Shares in the open market if the market price of the Option Shares exceeds the sum of the exercise price of the Share Options and the Option Offer Consideration during the Offer Period and the net proceeds from such sale (after deducting the amount payable for exercising the Share Options and the transaction costs) would exceed the net amount receivable under the Option Offer.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

1. PROCEDURES FOR ACCEPTANCE

1.1 The Share Offer

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer by post or by hand, to the Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, marked "KH Investment Holdings Limited — Share Offer" on the envelope as soon as possible but in any event not later than 4:00 p.m. on Wednesday, 7 September 2011 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the **WHITE** Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or Investec or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Acceptance.

(d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(e) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Acceptance is received by the Registrar on or before the latest time for acceptance of the Share Offer and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

(f) Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of HK$1.00 for every HK$1,000 (or part thereof) (as prescribed under the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong) of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

(g) If the Share Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the **WHITE** Form of Acceptance to the relevant Independent Shareholder(s).

(h) No acknowledgement of receipt of any **WHITE** Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2 The CLN Offer

(a) If you accept the CLN Offer and the certificate(s) of the CLN and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are in your name, you should complete the **PINK** Form of Acceptance in accordance with the instructions printed thereon in respect of the outstanding principal amount of the CLN held by you that you wish to tender to the CLN Offer, which instructions form part of the terms and conditions of the CLN Offer.

(b) The completed **PINK** Form of Acceptance should be forwarded, together with the relevant certificate(s) of the CLN and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) which you intend to accept the CLN Offer, by post or by hand to the company secretary of the Company at Unit 3407, 34/F, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong, marked "KH Investment Holdings Limited — CLN Offer" on the envelope as soon as possible but in any event no later than 4:00 p.m. on Wednesday, 7 September 2011 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(c) If the CLN Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the certificate(s) of the CLN and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the **PINK** Form of Acceptance to the relevant holder(s) of the CLN.

(d) No stamp duty will be deducted from the amount paid to the holder(s) of the CLN who accept(s) the CLN Offer.

(e) No acknowledgement of receipt of any **PINK** Form of Acceptance and/or the certificate(s) of the CLN and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.3 The Option Offer

(a) If you accept the Option Offer, you should complete the **BLUE** Form of Acceptance in accordance with the instructions printed thereon in respect of the number of outstanding Share Options held by you that you wish to tender to the Option Offer, which instructions form part of the terms and conditions of the Option Offer.

(b) The completed **BLUE** Form of Acceptance should be forwarded, together with the relevant certificate(s) and/or letter(s) of grant (as the case may be) of the Share Options for not less than the number of Share Options in respect of which you intend to accept the Option Offer, by post or by hand to the company secretary of the Company at Unit 3407, 34/F, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong, marked "KH Investment Holdings Limited — Option Offer" on the envelope as soon as possible but in any event no later than 4:00 p.m. on Wednesday, 7 September 2011or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(c) If the Option Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the certificate(s) and/or letter(s) of grant (as the case may be) of the Share Options lodged with the **BLUE** Form of Acceptance to the relevant holder(s) of the Share Options.

(d) No stamp duty will be deducted from the amount paid to the holder(s) of the Share Options who accept(s) the Option Offer.

(e) No acknowledgement of receipt of any **BLUE** Form of Acceptance and/or the certificate(s) and/or letter(s) of grant (as the case may be) of the Share Options will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) In order to be valid, Form(s) of Acceptance for the Offers must be received by the Registrar (in case of the Share Offer) and the company secretary of the Company (in case of the CLN Offer and the Option Offer) in accordance with the instructions printed thereon by 4:00 p.m. on Wednesday, 7 September 2011, unless the Offers become or are declared unconditional, or are extended or revised with the consent of the Executive. The Offers will be subject to satisfaction of the conditions set out in the paragraph headed “Conditions of the Offers” in the “Letter from Investec” of this Composite Document, which include the Offeror having received acceptances (and where permitted, not withdrawn) on or before 4:00 p.m. on the First Closing Date in respect of the Shares which, together with the Shares already held by the Offeror, Century City and parties acting in concert with any of them constitute more than 50% of the voting rights of the Company. Pursuant to the Takeovers Code, when the Offers are declared unconditional, the Offers will remain open for acceptance for not less than 14 days thereafter. The Offeror will make an announcement as and when the Offers become or are declared unconditional.

(b) The Offeror reserves the right to revise the Offers after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offers, all Independent Shareholders, the CLN Holders and the Option Holders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.

(c) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date or the Offers will remain open until further notice. In the latter case, at least 14 days’ notice in writing will be given before the Offers are closed to the Independent Shareholders, the CLN Holders and the Option Holders who have not accepted the Offers, and an announcement will be released. The revised Offers must be kept open for at least 14 days following the date on which the revised offer document is posted.

(d) If the closing date of the Offers is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.

(e) Any acceptance of the relevant revised Offer(s) shall be irrevocable unless and until the Independent Shareholders, the CLN Holders or the Option Holders who accept the Offers become entitled to withdraw their acceptance under the paragraph headed “Right of withdrawal” below and duly does so.

3. ANNOUNCEMENTS

(a) By 6:00 p.m. on the First Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offers. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating, among other information required under Rule 19.1 of the Takeovers Code, whether the Offers have been revised or extended, have expired or have become or been declared unconditional (and, in each case, whether as to acceptances or in all respects).

The announcement will state the total number of Shares and rights over Shares, CLN or Share Options:

(a) for which acceptances of the Offers have been received;

(b) held, controlled or directed by the Offeror or its concert parties before the Offer Period; and

(c) acquired or agreed to be acquired during the Offer Period by the Offeror and any of its concert parties.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror, Century City or any parties acting in concert with any of them has borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

(b) In computing the total number or principal amount, as the case may be, of Shares, CLN and Share Options represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in paragraphs 1.1, 1.2 and 1.3 of this Appendix, and which have been received by the Registrar (in the case of the Share Offer) or the company secretary of the Company (in the case of the CLN Offer and the Option Offer) no later than 4:00 p.m. on the First Closing Date, unless the Offers become or are declared unconditional, or are extended or revised with the consent of the Executive shall be included.

(c) As required under the Takeovers Code, all announcements in respect of the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

4. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offers tendered by the Independent Shareholders, the CLN Holders and the Options Holders, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of any of the Offers shall be entitled to withdraw his/her/its acceptance within 21 days from the First Closing Date if the Offers have not by then become unconditional as to acceptances. An acceptor of any of the Offers may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar or the company secretary of the Company, as the case may be.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Independent Shareholders, the CLN Holders and the Option Holders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

5. SETTLEMENT UNDER THE OFFERS

(a) The Share Offer

Subject to the Share Offer becoming or being declared unconditional and provided that a valid **WHITE** Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the Independent Shareholders who accept the Share Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him under the Share Offer will be despatched to such Independent Shareholder by ordinary post at his own risk as soon as possible but in any event within 10 days of the later of the date on which the Share Offer becomes or is declared unconditional and the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

(b) The CLN Offer

Subject to the CLN Offer becoming or being declared unconditional and provided that a valid **PINK** Form of Acceptance and the relevant certificate(s) of the CLN and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the company secretary of the Company before the close of the CLN Offer, a cheque for the amount due to the holder of the CLN in respect of the CLN tendered by him under the CLN Offer will be despatched to such CLN Holder by ordinary post at his own risk as soon as possible but in any event within 10 days of the later of the date on which the CLN Offer becomes or is declared unconditional and the receipt of all the relevant documents by the company secretary of the Company to render such acceptance complete and valid.

Settlement of the consideration to which any CLN Holder is entitled under the CLN Offer will be implemented in full in accordance with the terms of the CLN Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such CLN Holder.

(c) The Option Offer

Subject to the Option Offer becoming or being declared unconditional and provided that a valid **BLUE** Form of Acceptance and the relevant certificate(s) and/or letter(s) of grant (as the case may be) of the Share Options are complete and in good order in all respects and have been received by the company secretary of the Company before the close of the Option Offer, a cheque for the amount due to the Option Holders in respect of the Share Options tendered by him under the Option Offer will be despatched to such Option Holder by ordinary post at his own risk as soon as possible but in any event within 10 days of the later of the date on which the Option Offer becomes or is declared unconditional and the receipt of all the relevant documents by the company secretary of the Company to render such acceptance complete and valid.

Settlement of the consideration to which any Option Holder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Option Holder.

6. OVERSEAS INDEPENDENT SHAREHOLDERS AND OVERSEAS CLN AND OPTION HOLDERS

The making of the Offers to Overseas Independent Shareholders and Overseas CLN and Option Holders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Independent Shareholders and Overseas CLN and Option Holders who are citizens or residents or nationals of jurisdictions outside Hong Kong should acquaint themselves about and observe any applicable regulatory or legal requirements. It is the responsibility of any such person wishing to accept the Offers to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities, regulatory or legal requirements and the payment of any transfer or cancellation or other taxes due by such Overseas Independent Shareholder and/or Overseas CLN and/or Option Holder in respect of such jurisdiction. The Offeror, Investec and any of their respective directors and any other persons involved in the Offers shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Acceptances of the Offers by any such person will be deemed to constitute a warranty by such person to the Offeror that such person is permitted under all applicable laws to accept the Offers and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

7. GENERAL

(a) All communications, notices, Forms of Acceptance, Share certificate(s), certificate(s) of the CLN, certificate(s) and/or letter(s) of grant (as the case may be) of the Share Options, transfer receipt(s), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders, the CLN Holders and the Option Holders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Century City, Investec and any of their respective directors nor the Registrar or the company secretary of the Company or other parties involved in the Offers or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Forms of Acceptance form part of the terms and conditions of the Offers.

(c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.

(d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Forms of Acceptance will constitute an authority to the Offeror, Investec or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares and/or the CLN and/or the Share Options in respect of which such person or persons has/have accepted the Offers.

(f) Acceptance of the Share Offer by any person will be deemed to constitute a warranty by such person to the Offeror and the Company:

(i) that the Offer Shares tendered for acceptance under the Share Offer are sold by such person free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights accruing or attaching thereto on the date of the Initial Offer Announcement or subsequently becoming attached to them, including, without limitation, the rights to receive all future dividends and/or other distributions declared, paid or made, if any, on or after the date of the Initial Offer Announcement; and

(ii) that if such Shareholder accepting the Share Offer is an Overseas Independent Shareholder, he has observed the laws of all relevant jurisdictions in connection therewith, obtained all requisite governmental, exchange control or other consents, complied with other necessary formalities or legal requirements and paid any transfer or other taxes due from him in respect of such jurisdictions, and is permitted under all applicable laws to accept the Share Offer and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.

(g) Acceptances of the CLN Offer and the Option Offer by the CLN Holders and any of the Option Holders respectively will be deemed to constitute a warranty by such holders to the Offeror that the CLN and the Share Options tendered for acceptance are free from all third party rights, liens, claims, charges, equities, and encumbrances whatsoever and be (in the case of the CLN Offer) sold or (in the case of the Option Offer) renounced, together with all rights accruing or attaching thereto on or after the date of the Initial Offer Announcement and that Option Holders will surrender to the Company all of his existing rights, if any, in respect of the Options.

(h) Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the **WHITE** Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Share Offer.

(i) Reference to any of the Offers in this Composite Document and in the Forms of Acceptance shall include any extension or revision thereof and references to the relevant Offers becoming unconditional shall include a reference to the relevant revised Offers being declared unconditional.

(j) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the **WHITE** Form of Acceptance, by the CLN Holders in the **PINK** Form of Acceptance and by Option Holders in the **BLUE** Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.

1. THREE YEARS FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 December 2010; and (ii) the assets and liabilities as at 31 December 2008, 2009 and 2010 as extracted from the audited financial statements of the Group for the financial years ended 31 December 2010. The auditors of the Company did not issue any qualified opinion on the financial statements of the Group for the three years ended 31 December 2010. The Company had no exceptional or extraordinary items for each of the three years ended 31 December 2010. The Group did not record any non-controlling interests for each of the three years ended 31 December 2008, 2009 and 2010, all profit/(loss) of the Group for each of the three years ended 31 December 2008, 2009 and 2010 was attributable to owners of the Company.

Special dividend in a total amount of HK$40,232,000, representing HK$0.12 per Share, has been paid out by the Company in May 2010 to the Shareholders. Save for the dividends paid to the Shareholders mentioned above, no other dividends have been paid or declared by the Company during each of the three financial years ended 31 December 2008, 2009 and 2010.

		Year ended	
	31/12/2010	**31/12/2009**	**31/12/2008**
	HK$'000	*HK$'000*	*HK$'000*
			(restated)
(i) Result			
Turnover	21,790	7,198	74,122
Loss before tax	(136,961)	(27,724)	(75,306)
Tax (charge)/credit	(5)	553	—
Loss for the year from continuing operations	(136,966)	(27,171)	(75,306)
Profit for the year from discontinued operations	84,513	53,270	—
(Loss)/profit for the year	(52,453)	26,099	(75,306)
(Loss)/profit attributable to owners of the Company	(52,453)	26,099	(75,306)

	Year ended 31/12/2010	31/12/2009	31/12/2008
	HK$'000	*HK$'000*	*HK$'000*
			(restated)
(Loss)/earnings per shares			
From continuing and discontinued operations			
Basic and diluted	HK$(15.19) cents	HK$37.96 cents	HK$(284.38) cents
From continuing operations			
Basic and diluted	HK$(39.66) cents	HK$(39.52) cents	HK$(284.38) cents
From discontinued operations			
Basic and diluted	HK$24.47 cents	HK$77.49 cents	N/A
(ii) Assets and liabilities			
Total assets	138,064	594,228	27,212
Total liabilities	(22,366)	(418,848)	(71,862)
	115,698	175,380	(44,650)

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

The following is the full text of the audited consolidated financial statements of the Company for the year ended 31 December 2010 extracted from the annual report of the Company for the year ended 31 December 2010.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	**2010** *HK$'000*	**2009** *HK$'000*
Continuing operations			
Turnover	6	21,790	7,198
Cost of sales		(16,694)	(5,750)
Gross profit		5,096	1,448
Other revenue	8	292	582
Other income	9	836	456
Administrative expenses		(17,713)	(17,375)
Other operating expenses	10	(119,533)	(2,638)
Finance costs	11	(5,939)	(10,197)
Loss before tax	12	(136,961)	(27,724)
Tax (charge)/credit	13	(5)	553
Loss for the year from continuing operations		(136,966)	(27,171)
Discontinued operations	14		
Profit for the year from discontinued operations		84,513	53,270
(Loss)/profit attributable to owners of the Company		(52,453)	26,099
(Loss)/earnings per share	16		
From continuing and discontinued operations			
Basic and diluted		HK(15.19) cents	HK37.96 cents
From continuing operations			
Basic and diluted		HK(39.66) cents	HK(39.52) cents
From discontinued operations			
Basic and diluted		HK24.47 cents	HK77.49 cents

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
(Loss)/profit for the year	(52,453)	26,099
Other comprehensive income		
Exchange differences arising on translation of foreign operations during the year	(6,068)	(537)
Total comprehensive income for the year	(58,521)	25,562
Total comprehensive income attributable to owners of the Company	(58,521)	25,562

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	18	204	8,027
Investment properties	19	—	118,619
Intangible assets	20	1,175	7,958
Goodwill	21	14,200	—
Total non-current assets		15,579	134,604
Current assets			
Trade receivables	23	1,439	186,716
Deposits, prepayments and other receivables	24	54,276	13,411
Financial assets at fair value through profit or loss	25	—	1
Properties held for sale	26	—	29,033
Cash and bank balances	27	66,770	230,463
Total current assets		122,485	459,624
Current liabilities			
Bank overdraft	27	32	—
Trade payables	28	325	197
Accruals and other payables	29	9,213	124,225
Interest-bearing bank and other borrowings	30	—	130
Amount due to a shareholder	32	—	155,535
Receipts in advance	33	8,370	42,428
Tax payable		78	15,303
Total current liabilities		18,018	337,818
Net current assets		104,467	121,806
Total assets less current liabilities		120,046	256,410

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Promissory note	34	—	31,831
Convertible loan notes	35	4,348	17,596
Deferred taxation	36	—	31,603
Total non-current liabilities		4,348	81,030
Net assets		115,698	175,380
Equity			
Issued capital	37	5,056	6,763
Reserves		110,642	168,617
Total equity		115,698	175,380

The consolidated financial statements were approved and authorised for issue by the board of directors on 18 March 2011.

STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	22	1,000	—
Interests in jointly controlled entities		—	—
Total non-current assets		1,000	—
Current assets			
Deposits, prepayments and other receivables	24	40,215	—
Amounts due from subsidiaries	22	64,945	143,662
Amounts due from jointly controlled entities		—	2,939
Cash and bank balances	27	32,745	73,056
Total current assets		137,905	219,657
Current liabilities			
Accruals and other payables		2,566	4,256
Net current assets		135,339	215,401
Total assets less current liabilities		136,339	215,401
Non-current liabilities			
Promissory note	34	—	31,831
Convertible loan notes	35	4,348	17,596
Deferred taxation	36	—	24,428
Total non-current liabilities		4,348	73,855
Net assets		131,991	141,546
Equity			
Issued capital	37	5,056	6,763
Reserves	40	126,935	134,783
Total equity		131,991	141,546

The financial statements were approved and authorised for issue by the board of directors on 18 March 2011.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Issued capital	Share premium	Contributed surplus	Convertible loan notes reserve	Share-based payments reserve	Exchange reserve	(Accumulated losses)/ retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	16,446	135,062	—	12,693	98	—	(208,949)	(44,650)
Net profit for the year	—	—	—	—	—	—	26,099	26,099
Other comprehensive income for the year	—	—	—	—	—	(537)	—	(537)
Total comprehensive income for the year	—	—	—	—	—	(537)	26,099	25,562
Issue of convertible loan notes	—	—	—	241,878	—	—	—	241,878
Deferred tax of convertible loan notes	—	—	—	(39,910)	—	—	—	(39,910)
Redemption of convertible loan notes	—	—	—	(101,942)	—	—	4,840	(97,102)
Deferred tax released on redemption of convertible loan notes	—	—	—	14,929	—	—	—	14,929
Capital reduction	(22,564)	—	22,564	—	—	—	—	—
Issue of shares arising on acquisition of subsidiaries	118	2,001	—	—	—	—	—	2,119
Recognition of equity-settled share-based payments	—	—	—	—	4,197	—	—	4,197
Issue of shares upon exercise of share options	519	7,145	—	—	(2,827)	—	—	4,837
Cancellation of share options	—	—	—	—	(98)	—	98	—

	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible loan notes reserve HK$'000	Share-based payments reserve HK$'000	Exchange reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
Issue of new shares on open offer	12,128	49,066	—	—	—	—	—	61,194
Placing of new shares, net	116	2,210	—	—	—	—	—	2,326
At 31 December 2009 and 1 January 2010	6,763	195,484	22,564	127,648	1,370	(537)	(177,912)	175,380
Net loss for the year	—	—	—	—	—	—	(52,453)	(52,453)
Other comprehensive income for the year	—	—	—	—	—	(6,068)	—	(6,068)
Total comprehensive income for the year	—	—	—	—	—	(6,068)	(52,453)	(58,521)
Extension period of convertible loan notes	—	—	—	508	—	—	—	508
Redemption of convertible loan notes	—	—	—	(150,448)	—	—	48,482	(101,966)
Deferred tax released on redemption of convertible loan notes	—	—	—	24,981	—	—	(553)	24,428
Conversion of convertible loan notes	16	851	—	(308)	—	—	—	559
Capital reduction	(5,411)	—	5,411	—	—	—	—	—
Capital reorganisation	—	(252,834)	40,551	—	—	—	212,283	—
Release of exchange reserve upon disposal of subsidiaries	—	—	—	—	—	6,605	—	6,605

	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible loan notes reserve HK$'000	Share-based payments reserve HK$'000	Exchange reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
Issue of shares arising on acquisition of subsidiaries	592	17,755	—	—	—	—	—	18,347
Recognition of equity-settled share-based payments	—	—	—	—	3,468	—	—	3,468
Issue of shares upon exercise of share options	256	9,390	—	—	(2,101)	—	—	7,545
Lapsed of share options	—	—	—	—	(1,370)	—	1,370	—
Placing of new shares, net	2,840	76,737	—	—	—	—	—	79,577
Dividend paid *(Note 15)*	—	—	(40,232)	—	—	—	—	(40,232)
At 31 December 2010	5,056	47,383	28,294	2,381	1,367	—	31,217	115,698

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Operating activities		
Loss before tax from continuing operations	(136,961)	(27,724)
Profit before tax from discontinued operations	88,058	19,439
	(48,903)	(8,285)
Adjustments for:		
Finance costs	5,946	21,880
Interest income	(186)	(674)
Depreciation of property, plant and equipment	1,943	10,358
(Gain)/loss on disposal of property, plant and equipment	(102)	122
Impairment loss recognised in respect of intangible assets	6,783	—
Impairment loss recognised in respect of goodwill	3,844	55
(Gain)/loss arising on change in fair value of investment properties	(11,817)	52,395
Gain on period extension in convertible loan notes	(823)	—
Loss on early redemption of convertible loan notes	44,653	2,638
Loss on early redemption of promissory note	64,253	—
Impairment loss recognised in respect of amount due from jointly controlled entities	—	30,892
Write-off of property, plant and equipment	—	8,537
Provision for loss on early termination of licence agreement	—	13,439
Reversal of provision for loss on early termination of licence agreement	(7,361)	—
Equity-settled share option expenses	3,468	4,197
Gain on disposal of subsidiaries	(64,568)	—
Gain on disposal of jointly controlled entities	(10,022)	—
Gain on deemed disposal of subsidiaries	—	(32,758)
Gain on deemed disposal of jointly controlled entities	—	(17,077)
Gain from a bargain purchase	—	(105,848)
Loss on disposal of financial assets at fair value through profit or loss	—	351

	2010	2009
	HK$'000	*HK$'000*
Operating cash flow before movements in working capital	(12,892)	(19,778)
Decrease in inventories	—	6,025
Decrease in trade receivables	185,528	2,120
(Increase)/decrease in deposits, prepayments and other receivables	(42,109)	54,043
Decrease/(increase) in financial assets at fair value through profit or loss	1	(123)
Decrease in derivative financial instruments	—	(2,153)
Increase/(decrease) in trade payables	109	(572)
(Decrease)/increase in accruals and other payables	(27,538)	46,276
Decrease in amount due to shareholders	—	(192,023)
Increase in receipts in advance	5,230	1,362
Cash from/(used in) operations	108,329	(104,823)
Interest received	186	674
Hong Kong profits tax recovered	—	938
Net cash from/(used in) operating activities	108,515	(103,211)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Investing activities		
Acquisition of subsidiaries	(51)	33,673
Purchases of items of property, plant and equipment	(1,980)	(4,190)
Proceeds on disposal of property, plant and equipment	1,150	—
Proceeds on disposal of investment properties	—	565,266
Proceeds on disposal of subsidiaries	104,125	—
Proceeds on disposal of jointly controlled entities	(634)	—
Proceeds from deemed disposal of subsidiaries	—	1,611
Proceeds from deemed disposal of jointly controlled entities	—	(74)
Net cash from investing activities	102,610	596,286
Financing activities		
Interest paid	(7)	(11,799)
Proceeds from issue of convertible loan notes	—	160,000
Proceeds from placing of new shares	79,577	2,326
Proceeds from issue of new shares upon exercise of share options	7,545	4,837
Proceeds from issue of new shares on open offer	—	61,194
Redemption of promissory note	(100,000)	—
Redemption of convertible loan notes	(160,000)	(138,199)
Repayment of bank loans	(83)	(304,408)
Repayment of amount due to a shareholder	(155,535)	—
Repayment of amounts due to jointly controlled entities	—	(31,917)
Repayment of trust receipt loans	—	(4,319)
Repayment of capital element of finance leases	(47)	(75)
Dividend paid to owners of the Company	(40,232)	—
Net cash used in financing activities	(368,782)	(262,360)
Net (decrease)/increase in cash and cash equivalents	(157,657)	230,715
Cash and cash equivalents at beginning of year	230,463	1,032
Effect of foreign exchange rate changes	(6,068)	(1,284)
Cash and cash equivalents at end of year	66,738	230,463

	2010	2009
	HK$'000	*HK$'000*
Analysis of balances of cash and cash equivalents		
Cash and bank balances	66,770	230,463
Bank overdraft	(32)	—
	66,738	230,463

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL INFORMATION

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 Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 March 2002.

The registered office and principal place of business of the Company are located at 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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand otherwise indicated.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries and jointly controlled entities are set out in Notes 52 and 41 to the consolidated financial statements respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's January 2010. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 4 (Amendment)	Amendment to HK-Int 4 Lease — Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as disclosed below, the adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current or prior accounting period.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The impact of adoption of HKFRS 3 (as revised in 2008) on the acquisition during the current period has been related to the acquisition-related costs. It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised these costs as an expense in profit or loss, whereas previously they would have been accounted as part of the cost of the acquisition. The acquisition costs in the current period were insignificant.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 32 (Amendments)	Classification of Rights Issues[4]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[6]
HKFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets [6]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 January 2012

3 Effective for annual periods beginning on or after 1 January 2011

4 Effective for annual periods beginning on or after 1 February 2010

5 Effective for annual periods beginning on or after 1 July 2010

6 Effective for annual periods beginning on or after 1 July 2011

7 Effective for annual periods beginning on or after 1 January 2013

The directors of the Company has commenced their assessments of the impact of the above new and revised HKFRSs but it is not yet in a position to state whether these new and revised HKFRSs would have a material impact on the results and the financial position of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, as modified for the revaluation of certain financial instruments and investment properties which are stated at their fair values.

Certain comparative figures have been reclassified to confirm with current year's presentation.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or area where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5 to the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the Group made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effect date of disposal, as appropriate.

All significant intercompany transactions, balances and unrealised gains on transactions are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interest in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling the interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 and HKAS 19 respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either it fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash generating units, or groups of cash generating units, that is expected to benefit from the synergies of the acquisition.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising from an acquisition in a financial year, the cash generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill accounting policy for goodwill arising in a business combination (see the accounting policy above).

When a group entity transacts with a jointly controlled entity of the Group, profits or losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the terms of the relevant leases.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for (i) exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; (ii) exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and (iii) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

From 1 January 2010 onwards, on the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes managed by the PRC government and the Mandatory Provident Fund Scheme ("MPF") are recognised as expenses when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

For grants of share options that are conditional upon specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payments reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve.

For share options that are vested immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When share options are forfeited after the vesting duty or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained earnings.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	Over the shorter of the lease terms or 20%
Furniture and equipment	20% — 30%
Motor vehicles	20% — 30%

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

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination and are recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties held for sale

Completed properties held for sale remaining unsold at the end of the reporting period are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss of financial assets below).

Impairment loss of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial assets because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment loss on available-for-sale equity instrument will not be reversed in profit or loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities at FVTPL represent financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including promissory note, amount due to a shareholder, bank and other borrowings, trade payables, accruals and other payables and bank overdraft are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible loan notes

Convertible loan notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the notes into equity, is included in equity (convertible loan notes reserve). Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes reserve will be released to retained profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the option.

If the conversion option of convertible loan notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible loan notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible loan notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the consolidated income statement.

Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

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

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

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly controlled entity;

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

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and in the future period.

(b) Impairment of trade and other receivables

The Group's management determines impairment of trade and other receivables on a regular basis. The estimate is based on the credit history of its customers and current market conditions. The management of the Group reassesses the impairment of trade and other receivables at the end of the reporting period.

(c) **Impairment of goodwill and intangible assets**

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash generating unit to which goodwill and intangible assets has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. TURNOVER

Turnover represents the net amount received and receivable from goods sold to customers, after allowances for returns and trade discounts where applicable and services rendered. All significant intra-group transactions have been eliminated on consolidation.

	2010	**2009**
	HK$'000	*HK$'000*
Continuing operations		
Artist management services	21,371	7,198
Infrared consultancy services	419	—
	21,790	7,198
Discontinued operations		
Distribution of high-end apparel and accessories	—	8,801
Rental income	—	8,224
	—	17,025
Total	21,790	24,223

7. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

For management purposes, the Group is currently engaged in three operating divisions, namely (i) infrared consultancy services; (ii) artist management; and (iii) film production. Two operations (distribution and service apartment operations) were discontinued in the current year (Note 14). The segmentations are based on the information about the operations of the Group that management uses to make decisions.

Principal activities are as follows:

(i)	Infrared consultancy services:	Providing infrared thermal imaging and thermograph solutions and consultancy services
(ii)	Artist management:	Service income from provision of artist management
(iii)	Film production:	Income from provision of film right
(iv)	Distribution:	Distribution of high-end apparel and accessories
(v)	Service apartment operations:	Property rental income

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

(a) **Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable segment:

	Continuing operations								**Discontinued operations**							
	Infrared consultancy service		**Artist management**		**Film production**		**Sub-total**		**Distribution**		**Service apartment operations**		**Sub-total**		**Consolidated**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover:																
Sales to external customers	419	—	21,371	7,198	—	—	21,790	7,198	—	8,801	—	8,224	—	17,025	21,790	24,223
Segment results	(3,877)	—	(483)	(2,307)	(7,450)	(1,441)	(11,810)	(3,748)	8,014	(23,592)	5,461	(16,826)	13,475	(40,418)	1,665	(44,166)
Unallocated other revenue and income							868	456					74,590	155,251	75,458	155,707
Unallocated expenses							(120,080)	(14,235)					—	(83,711)	(120,080)	(97,946)
(Loss)/profit from operating activities							(131,022)	(17,527)					88,065	31,122	(42,957)	13,595
Finance costs							(5,939)	(10,197)					(7)	(11,683)	(5,946)	(21,880)
(Loss)/profit before tax							(136,961)	(27,724)					88,058	19,439	(48,903)	(8,285)
Tax (charge)/credit							(5)	553					(3,545)	33,831	(3,550)	34,384
(Loss)/profit for the year							(136,966)	(27,171)					84,513	53,270	(52,453)	26,099

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Segment results represent the (loss)/profit (suffered)/earned by each segment without allocation of central administration cost including directors' emolument, other gains or losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(b) **Segment assets and liabilities**

	Continuing operations								Discontinued operations							
	Infrared consultancy service		Artist management		Film production		Sub-total		Distribution		Service apartment operations		Sub-total		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	15,089	—	17,428	12,353	32,587	9,753	65,104	22,106	—	531	—	498,535	—	499,066	65,104	521,172
Unallocated assets							72,960	73,055					—	1	72,960	73,056
Total assets							138,064	95,161					—	499,067	138,064	594,228
Segment liabilities	504	—	14,869	11,314	—	2,330	15,373	13,644	—	18,924	—	286,142	—	305,066	15,373	318,710
Unallocated liabilities							6,993	3,675					—	96,463	6,993	100,138
Total liabilities							22,366	17,319					—	401,529	22,366	418,848

For the purpose of monitoring segment performance and allocating resources between segments:

— all assets are allocated to reportable segments other than other financial assets and current and deferred tax assets. Goodwill is allocated to reportable segments as described in Note 21 to the consolidated financial statements. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segment; and

— all liabilities are allocated to reportable segments other than current and deferred tax liabilities, other financial liabilities, borrowing and convertible loan notes. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

(c) **Other segment information**

	Continuing operations								Discontinued operations							
	Infrared consultancy service		Artist management		Film production		Sub-total		Distribution		Service apartment operations		Sub-total		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	28	—	42	85	215	67	285	152	—	316	1,658	9,890	1,658	10,206	1,943	10,358
Write-off of property, plant and equipment	—	—	—	—	—	—	—	—	—	763	—	7,774	—	8,537	—	8,537
Capital expenditure	—	—	—	—	—	—	—	—	—	9	1,980	15,334	1,980	15,343	1,980	15,343
Impairment loss recognised in respect of intangible assets	—	—	—	—	6,783	—	6,783	—	—	—	—	—	—	—	6,783	—
Impairment loss recognised in respect of goodwill	3,844	—	—	—	—	—	3,844	—	—	55	—	—	—	55	3,844	55

(d) **Geographical information**

The Group operates in two principal geographical areas — the People's Hong Kong) (the "PRC") and Hong Kong.

The Group's revenue from external customers and geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations				
The PRC	18,584	6,002	—	—
Hong Kong	3,012	250	15,579	9,203
Others	194	946	—	—
	21,790	7,198	15,579	9,203
Discontinued operations				
The PRC	—	8,224	—	125,340
Hong Kong	—	8,801	—	61
	—	17,025	—	125,401
Total	21,790	24,223	15,579	134,604

* *Non-current assets excluded financial instruments.*

(e) **Information about major customer**

Included in revenue arising from artist management of approximately HK$21,371,000 (2009: HK$7,198,000) are revenues of approximately HK$7,168,000 (2009: HK$2,347,000) which arose from service provided to Group's two major customers (the artist management segment). No other single customers contributed 10% or more to the Group's revenue for both 2010 and 2009.

8. OTHER REVENUE

	2010	**2009**
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	96	42
Sundry income	196	—
Management service income	—	540
	292	582
Discontinued operations		
Bank interest income	90	632
Sundry income	1,901	579
Management service income	—	10
	1,991	1,221
Total	2,283	1,803

9. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Gain on disposal of property, plant and equipment	13	—
Gain on period extension in convertible loan notes	823	—
Gain form a bargain purchase	—	456
	836	456
Discontinued operations		
Reversal of provision for loss on early termination of licence agreement	7,361	—
Gain arising on change in fair value of investment properties	11,817	—
Exchange gain, net	1,035	—
Gain on disposal of property, plant and equipment	89	—
Gain from a bargain purchase	—	105,392
Gain on deemed disposal of subsidiaries	—	32,758
Gain on deemed disposal of jointly controlled entities	—	17,077
	20,302	155,227
Total	21,138	155,683

10. OTHER OPERATING EXPENSES

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Loss on early redemption of convertible loan notes	44,653	2,638
Loss on early redemption of promissory note	64,253	—
Impairment loss recognised in respect of intangible assets	6,783	—
Impairment loss recognised in respect of goodwill	3,844	—
	119,533	2,638
Discontinued operations		
Loss on disposal of jointly controlled entities	—	346
Impairment loss recognised in respect of goodwill	—	55
Impairment loss recognised in respect of amount due from jointly controlled entities	—	30,892
Loss on disposal of property, plant and equipment	—	122
Loss arising on change in fair value of investment properties	—	52,395
Loss arising on change in fair value of financial assets at fair value through profit or loss	—	351
	—	84,161
Total	119,533	86,799

11. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Effective interest expenses on convertible loan notes	2,023	4,318
Effective interest expenses on promissory note	3,916	5,879
	5,939	10,197
Discontinued operations		
Interest on bank loans and overdraft wholly repayable within five years	1	11,639
Interest on finance leases	6	44
	7	11,683
Total	5,946	21,880

12. LOSS BEFORE TAX

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Auditors' remuneration	550	450
Depreciation of property, plant and equipment	285	152
Minimum lease payments under operating leases on land and buildings	828	—
Staff costs (excluding directors' remuneration)		
Salaries and allowance	2,719	2,036
Equity-settled share option expenses	2,953	1,002
Pension scheme contributions	59	124
Discontinued operations		
Cost of inventories sold	—	4,697
Depreciation of property, plant and equipment	1,658	10,206
Minimum lease payments under operating leases on land and buildings	11	5,510
Provision for litigation claims arising on early termination of licence agreement	—	13,439
Staff costs (excluding directors' remuneration)		
Salaries and allowance	1,180	6,516
Pension scheme contributions	37	216

13. TAX CHARGE/(CREDIT)

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
Hong Kong Profit Tax	5	—
Deferred tax *(Note 36)*	—	(553)
	5	(553)

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year.

The tax charge/(credit) for the year can be reconciled to the (loss)/profit per the consolidated income statement as follows:

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Loss before tax	(136,961)	(27,724)
Tax at the statutory tax rate	(22,599)	(4,574)
Tax effect of expenses not deductible for tax purpose	43,679	2,118
Tax effect of income not taxable for tax purpose	(23,768)	(82)
Tax effect of tax losses not recognised	3,079	1,985
Utilisation of tax losses previously not recognised	(386)	—
Tax charge/(credit) for the year	5	(553)

14. DISCONTINUED OPERATIONS

On 28 May 2010, the Group disposed of (i) its wholly owned subsidiary of Mega Shell Services Limited ("Mega Shell") and its subsidiaries (collectively referred to the "Mega Shell Group") and (ii) an amount due to its ultimate holding company (the "Mega Shell Sale Loan"). Upon completion of the disposal, the Mega Shell Group will cease to be subsidiaries of the Company and the business of service apartment operation which is solely carried out by the Mega Shell Group will become a discontinued operation of the Group. Details of the assets and liabilities disposed of and the calculation of the profit or loss on disposal are disclosed in Note 43(a) to the consolidated financial statements.

On 13 December 2010, the Group disposed of (i) its 19% owned jointly controlled entity of Amazing Goal International Limited ("Amazing Goal") and its subsidiaries (collectively referred to the "Amazing Goal Group") and (ii) an amount due to its ultimate holding company (the "Amazing Goal Sale Loan"). Upon completion of the disposal, the Amazing Goal Group will cease to be jointly controlled entities of the Company and the business of distribution which is solely carried out by the Amazing Goal Group will become a discontinued operation of the Group.

The combined results of the discontinued operations related to the Mega Shell Group and the Amazing Goal Group are set out below. The comparative information of the discontinued operations has been represented to include those operations classified as discontinued in the current year.

	2010	2009
	HK$'000	*HK$'000*
Profit for the year from discontinued operations		
Turnover	—	17,025
Cost of sales	—	(8,108)
Gross profit	—	8,917
Other revenue	1,991	1,221
Other income	20,302	155,227
Selling and distribution costs	—	(342)
Administrative expenses	(8,818)	(49,740)
Other operating expenses	—	(84,161)
Finance costs	(7)	(11,683)
Profit before tax	13,468	19,439
Tax (charge)/credit	(3,545)	33,831
	9,923	53,270
Gain on disposal of the Mega Shell Group	64,568	—
Gain on disposal of the Amazing Goal Group	10,022	—
Tax charge	—	—
Profit for the year from discontinued operations	84,513	53,270
Cash flows from discontinued operations		
Net cash (outflows)/inflows from operating activities	(119,436)	430,859
Net cash inflows from investing activities	1,905	604,811
Net cash outflows from financing activities	(152)	(352,091)
Net cash (outflows)/inflows	(117,683)	683,579

15. DIVIDEND

	2010	2009
	HK$'000	*HK$'000*
Special dividends for 2009 paid on 25 May 2010 of HK$0.12 per share (2008: Nil)	40,232	—

The directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2010 (2009: Nil).

16. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the (loss)/profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year as adjusted for the effect of share consolidation.

From continuing and discontinued operations

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

	2010	**2009**
	HK$'000	*HK$'000*
		(restated)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company for the purposes of basic and diluted (loss)/earnings per share	(52,453)	26,099

	2010	**2009**
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary share for the purposes of basic and diluted (loss)/earnings per share	345,323	68,746*

From continuing operations

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

	2010	**2009**
	HK$'000	*HK$'000*
		(restated)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	(136,966)	(27,171)

The denominators used are the same as these detailed above of both basis and diluted loss per share.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations are HK24.47 cents per share (2009: HK77.49 cents), based on the profit for the year from the discontinued operations of approximately HK$84,513,000 (2009: HK$53,270,000) and the denominators used are the same as those detailed above.

* *The weighted average number of ordinary share for the year ended 31 December 2009 was adjusted retrospectively to reflect the effect of share consolidation in 2010.*

For the year ended 31 December 2010 and 2009, diluted (loss)/earnings per share was not presented because the exercise of share option and conversion of all outstanding convertible loan notes would have anti-dilutive effects.

17. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The emoluments of each director on a named basis for the years ended 31 December 2010 and 2009 are set out below:

For the year ended 31 December 2010:

	Fees	Salaries and allowances	Retirement benefits scheme contribution	Share option benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lai Hok Lim	120	—	—	198	318
Heung Wah Keung *(Note i)*	6	—	—	—	6
Wong Chi Chiu *(Note ii)*	554	—	—	317	871
Independent non-executive directors					
Yip Tai Him	120	—	—	—	120
Law Yiu Sang, Jacky	120	—	—	—	120
Chio Chong Meng *(Note iii)*	120	—	—	—	120
Total	1,040	—	—	515	1,555

For the year ended 31 December 2009:

	Fees	Salaries and allowances	Retirement benefits scheme contribution	Share option benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lai Hok Lim	120	—	—	235	355
Heung Wah Keung *(Note i)*	48	—	—	—	48
Gouw San Bo, Elizabeth *(Note iv)*	—	—	—	—	—
Lee Chan Wah *(Note v)*	76	—	—	—	76
Non-executive director					
Duncan Chiu *(Note iv)*	—	—	—	—	—
Independent non-executive directors					
Yip Tai Him	120	—	—	—	120
Law Yiu Sang, Jacky	120	—	—	—	120
Chio Chong Meng *(Note iii)*	120	—	—	—	120
Total	604	—	—	235	839

Notes:

i. Mr. Heung Wah Keung was appointed as executive director on 6 August 2009 and resigned on 21 January 2010.

ii. Mr. Wong Chi Chiu was appointed as executive director on 25 January 2010 and resigned on 1 November 2010.

iii. Ms. Chio Chong Meng was appointed as independent non-executive director on 1 January 2009.

iv. Ms. Gouw San Bo, Elizabeth and Mr. Duncan Chiu were retired as executive director and non-executive director on 20 April 2009 respectively.

v. Mr. Lee Chan Wah was appointed as executive director on 10 November 2008 and resigned on 20 August 2009.

Of the five highest paid individuals, one (2009: one) was director of the Company and his remuneration has been included in the directors' remuneration disclosures above and the disclosure below.

Details of the emoluments of the remaining four (2009: four) non-directors, highest paid employees of Group for the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	2,011	1,598
Share option benefit	92	—
Retirement benefits scheme contributions	36	10
	2,139	1,608

The number of non-director, highest paid individuals whose remuneration fell within the following bands, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Nil to HK$1,000,000	3	4
HK$1,000,001 — HK$1,500,000	—	—
HK$1,500,001 — HK$2,000,000	1	—

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil).

During the year, share options were granted to directors, highest paid employee in respect of their services to the Group, further details of which are included in the disclosures in Note 38 to the consolidated financial statements. The fair value of such options, which has been charged to the consolidated income statement, was determined as at the date of the grant and was included in the above non-director, highest paid employees' remuneration disclosures.

Retirement benefit costs

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

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At 1 January 2009	10,794	2,049	1,616	14,459
Acquisition of subsidiaries	710	24,455	3,016	28,181
Addition	39	4,151	—	4,190
Deemed disposal of subsidiaries	(1,601)	(136)	(808)	(2,545)
Deemed disposal of jointly controlled entities	(993)	(84)	(501)	(1,578)
Write-off of property, plant and equipment	(8,239)	(23,463)	—	(31,702)
Exchange alignment	—	126	—	126
At 31 December 2009 and 1 January 2010	710	7,098	3,323	11,131
Acquisition of a subsidiary	53	222	43	318
Addition	—	1,980	—	1,980
Disposal of subsidiaries	(710)	(9,064)	(1,313)	(11,087)
Disposal of jointly controlled entities	—	—	(307)	(307)
Disposal	—	(2)	(1,288)	(1,290)
At 31 December 2010	53	234	458	745
Accumulated depreciation and impairment:				
At 1 January 2009	10,062	1,422	969	12,453
Acquisition of subsidiaries	136	6,034	535	6,705
Deemed disposal of subsidiaries	(1,421)	(70)	(661)	(2,152)
Deemed disposal of jointly controlled entities	(880)	(42)	(186)	(1,108)
Write-off of property, plant and equipment	(7,969)	(15,196)	—	(23,165)
Charged for the year	361	9,603	394	10,358
Exchange alignment	—	13	—	13

	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2009 and 1 January 2010	289	1,764	1,051	3,104
Acquisition of a subsidiary	6	76	5	87
Disposal of subsidiaries	(347)	(3,350)	(347)	(4,044)
Disposal of jointly controlled entities	—	—	(307)	(307)
Disposal	—	(2)	(240)	(242)
Charged for the year	62	1,618	263	1,943
At 31 December 2010	10	106	425	541
Net book value:				
At 31 December 2010	43	128	33	204
At 31 December 2009	421	5,334	2,272	8,027

The net book value of the Group's property, plant and equipment held under finance lease included in the total amounts of motor vehicles at 31 December 2010 amounted to Nil (2009: approximately HK$323,000).

19. INVESTMENT PROPERTIES

	2010	2009
	HK$'000	*HK$'000*
At 1 January	118,619	—
Acquisition of subsidiary *(Note 42(b))*	—	920,564
Gain/(loss) arising on change in fair value	11,817	(163)
Exchange alignments	—	5,061
Disposal	—	(806,843)
Disposal of subsidiaries *(Note 43(a))*	(130,436)	—
At 31 December	—	118,619

The fair values of the Group's investment properties at the end of reporting period have been arrived at on the basis of a valuation carried out on that date by Messrs. Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected to the Group. Messrs. Grant Sherman Appraisal Limited is a member of the Hong Kong Institute of Valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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

The carrying amount of investment properties shown above comprises:

	2010	2009
	HK$'000	*HK$'000*
Outside Hong Kong, held under Long-term leases	—	118,619

20. INTANGIBLE ASSETS

	Franchise rights	Film rights	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 January 2009	5,000	—	5,000
Acquisition of subsidiaries (Note 42(d))	—	7,958	7,958
At 31 December 2009 and 1 January 2010	5,000	7,958	12,958
Derecognised on disposal of jointly controlled entities	(5,000)	—	(5,000)
At 31 December 2010	—	7,958	7,958
Accumulated amortisation and impairment:			
At 1 January 2009, 31 December 2009 and 1 January 2010	5,000	—	5,000
Impairment loss recognised during the year	—	6,783	6,783
Derecognised on disposal of jointly controlled entities	(5,000)	—	(5,000)
At 31 December 2010	—	6,783	6,783
Carrying amount:			
At 31 December 2010	—	1,175	1,175
At 31 December 2009	—	7,958	7,958

Impairment test of intangible assets

For the purpose of impairment testing, franchise rights and film rights have been allocated to the cash generating units of distribution and film production respectively.

Film production

The film rights allocated to film production business have indefinite useful lives and no amortisation has been made.

For the year ended 31 December 2010, the directors of the Company reassessed the recoverable amount of film rights allocated to film production business with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuer, and an impairment loss of approximately HK$6,783,000 was recognised.

The recoverable amount of the film right allocated to film production business was assessed by reference to value-in-use model which based on a five-year cash flow projection approved by the directors of the Company. A discount rate of 16.40% per annum was applied when assessing the recoverability of the film right.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a zero growth rate which does not exceed the long term average growth rate for the market in which film rights operates. There are a number of assumptions and estimations involved for the preparation of cash flow projections. Key assumptions include gross margin, growth rate and discount rate which are determined by the management of the Group based on past experience and its expectation for market development. Gross margin are budgeted gross margin. Growth rate represents the rate used to extrapolate cash flows beyond the five-year budgeted period and are consistent with the management's forecast. The discount rate used is pre-tax and reflect specific risks relating to the industry.

The impairment loss has been included in the "other operating expenses" line item in the consolidated income statement.

21. GOODWILL

The amounts of the goodwill capitalised by the Group as an asset and recognised in the consolidated statement of financial position, arising from the acquisition of a subsidiary and a jointly controlled entity, are as follows:

	2010	2009
	HK$'000	*HK$'000*
Cost:		
At 1 January	55	—
Arising from acquisition of a jointly controlled entity *(Note i)*	—	55
Arising from acquisition of a subsidiary *(Note 42(a))*	18,044	—
Derecognised on disposal of jointly controlled entities	(55)	—
At 31 December	18,044	55
Accumulated impairment loss:		
At 1 January	55	—
Impairment loss recognised during the year	3,844	55
Derecognised on disposal of jointly controlled entities	(55)	—
At 31 December	3,844	55
Carrying amount:		
At 31 December	14,200	—

Note:

(i) On 2 November 2009, a jointly controlled entity of the Group acquired the remaining 50% interest in LOC Limited from a third party. The consideration for the acquisition was in form of cash, with US$1 paid at the acquisition. The goodwill arising from the acquisition were amounted to approximately HK$55,000.

Impairment test of goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units. The carrying amount of goodwill (before recognition of impairment loss) at the end of the reporting period was allocated to cash generating units as follows:

	2010	2009
	HK$'000	*HK$'000*
Infrared consultancy services	18,044	—
Distribution	—	55
	18,044	55

Infrared consultancy services

For the year ended 31 December 2010, the directors of the Company reassessed the recoverable amount of goodwill allocated to infrared consultancy services business with reference to the valuation performed by Asset Appraisal Limited, an independent firm of professional valuer, and an impairment loss of approximately HK$3,844,000 was recognised. The impairment mainly represented the increase in fair value of the consideration shares issued on the completion date of the acquisition of a subsidiary during the year.

The recoverable amount of the goodwill allocated to infrared consultancy services business was assessed by reference to value-in-use model which based on a five-year cash flow projection approved by the directors of the Company. A discount rate of 17.71% per annum was applied when assessing the recoverability of the goodwill.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using an average growth rate of 1.05 times per annum which is the projected long term average growth rate for the infrared consultancy services market. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the cash generating unit.

Distribution

The recoverable amount of the goodwill allocated to distribution business was assessed by reference to value-in-use model which based on a five-year cash flow projection approved by the directors of the Company. A discount rate of 14% per annum was applied when assessing the recoverability of the goodwill.

There are a number of assumptions and estimations involved for the preparation of the cash flow projection. Key assumptions included gross margin and discount rate which are determined by the management of the Group based on past performance and its expectation for market development. Gross margin are budgeted gross margin. The discount rate used is pre-tax and reflect specific risks relating to the industry.

The impairment loss has been included in the "other operating expenses" line item in the consolidated income statement.

22. INTERESTS IN SUBSIDIARIES

The Company

	2010	**2009**
	HK$'000	*HK$'000*
Unlisted shares at cost	1,000	—
Impairment in value	—	—
	1,000	—
Amounts due from subsidiaries	64,945	143,662
	65,945	143,662

Details of the Company's subsidiaries at 31 December 2010 are set out in Note 52 to the consolidated financial statements.

23. TRADE RECEIVABLES

An aged analysis of the Group's trade receivables at the end of the reporting period is as follow:

	2010	**2009**
	HK$'000	*HK$'000*
0 — 90 days	911	186,716
91 — 180 days	40	—
181 — 365 days	488	—
	1,439	186,716
Impairment loss recognised	—	—
	1,439	186,716

Notes:

(i) The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers. The Group has no significant concentrations of credit risk, with exposure spreads over a large number of customers. The credit terms of trade receivables are generally on 30 to 180 days.

(ii) Included in the trade receivables balances are debtors with an aggregate carrying amount of approximately HK$488,000 (2009: Nil) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The aged analysis of trade receivables which are past due but not impaired was as follow:

	2010	**2009**
	HK$'000	*HK$'000*
181 — 365 days	488	—

(iii) The movement of the allowance for impairment loss of trade and retention receivables was as follows:

	2010	**2009**
	HK$'000	*HK$'000*
At 1 January	—	490
Bad debt written off	—	(490)
At 31 December	—	—

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2010	**2009**
	HK$'000	*HK$'000*
Deposits	53,861	9,055
Prepayments	290	2,167
Other receivables	125	2,189
	54,276	13,411

At 31 December 2010, deposits amounted to HK$40,000,000 represented the deposit paid by the Company for acquisition of Sinofocus Media (Holdings) Limited as announced by the Company on 1 December 2010 (Note 51(i)).

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
	HK$'000	*HK$'000*
Equity investment listed in Hong Kong, at fair value	—	1

The fair value of listed securities in Hong Kong is determined based on the quoted market bid prices available on the relevant stock exchanges.

26. PROPERTIES HELD FOR SALE

	2010	2009
	HK$'000	*HK$'000*
Properties held for sale	—	29,033

Properties held for sale solely comprised of certain units of apartments held by 北京莎瑪房地產開發有限公司, an indirectly wholly owned subsidiary of Mega Shell, of which sale and purchase agreements were entered into and full consideration have been received by 北京莎瑪房地產開發有限公司 in respect of these units of apartments (Note 33). However, the transfers of legal titles of these units of apartments have not yet been completed at the date of disposal of Mega Shell (Note 43(a)).

27. CASH AND CASH EQUIVALENT

	The Group		The Company	
	2010	2009	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances:				
Renminbi	—	155,747	—	—
US Dollars	2	—	—	—
Hong Kong Dollars	66,768	74,716	32,745	73,056
	66,770	230,463	32,745	73,056
Bank overdraft:				
Hong Kong Dollars	(32)	—	—	—
Total	66,738	230,463	32,745	73,056

Cash at bank/(bank overdraft) earns/(suffers) interest at floating rates based on daily bank deposit rates.

28. TRADE PAYABLES

An aged analysis of the Group's trade payables at the end of the reporting period is as follow:

	2010	2009
	HK$'000	*HK$'000*
0 — 90 days	4	197
91 — 180 days	159	—
181 — 365 days	162	—
	325	197

29. ACCRUALS AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Accruals	4,092	104,009
Other payables	5,121	20,216
	9,213	124,225

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2010 Effective interest rate (%)	2010 Maturity of interest reprice date whichever is earlier	2010 *HK$'000*	2009 Effective interest rate (%)	2009 Maturity of Interest reprice date whichever is earlier	2009 *HK$'000*
Current						
Finance lease payables — *Note 31*	—	—	—	2.75-3.25	2010	47
Bank loans — unsecured	—	—	—	6.25	2010	83
			—			130

	2010 *HK$'000*	2009 *HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	—	83
Other borrowings repayable:		
Within one year or on demand	—	47
	—	130

31. FINANCIAL LEASE PAYABLES

The Group leases its motor vehicles for its business. The leases are classified as finance leases.

At the end of the reporting period, the total future minimum lease payments under finance lease and the present value were as follows:

	Minimum lease payments		Present value lease payments	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable:				
Within one year	—	53	—	47
Total minimum finance lease payments	—	53	—	47
Future finance charges	—	(6)		
Total net finance lease payables	—	47		
Portion classified as current liabilities	—	(47)		
Long term portion	—	—		

32. AMOUNT DUE TO A SHAREHOLDER

Amount due to a shareholder was unsecured, interest-free and has been fully repaid during the year ended 31 December 2010.

33. RECEIPTS IN ADVANCE

	2010	**2009**
	HK$'000	*HK$'000*
Trade deposits received	8,370	3,094
Deposit received on sales of properties	—	39,334
	8,370	42,428

At 31 December 2009, receipts in advance amounted to approximately HK$39,334,000 represented the full amount of considerations received from sales of certain units of apartment (Note 26). Since the transfers of legal titles of these units of apartments have not yet been completed at the date of disposal of Mega Shell (Note 43(a)), no revenue could be recognised for the year ended and the total amount was recorded as receipts in advance at 31 December 2009.

34. PROMISSORY NOTE

In April 2009, the Group issued a promissory note with principal amount of HK$100,000,000 as a part of consideration in acquisition of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and World East Investments Limited ("World East"). Details were set out in Note 42(b) to the consolidated financial statements. The effective interest rate is 30.97%.

On 26 May 2010, the Group early redeemed the entire promissory note and a loss on early redemption of promissory note of approximately HK$64,253,000 is recognised during the year 2010.

	2010	**2009**
	HK$'000	*HK$'000*
At 1 January	31,831	—
Issue of promissory note, fair value	—	25,952
Effective interest expenses	3,916	5,879
Redemption of promissory note	(35,747)	—
At 31 December	—	31,831

35. CONVERTIBLE LOAN NOTES

(a) On 11 June 2008, the Company issued convertible loan note with a principal amount of HK$6.2 million to an independent third party, JL Investments Capital Limited, for a term of one year with a coupon rate of 2% per annum (the "JL Convertible Note"). The JL Convertible Note is convertible into shares of the Company at the initial conversion price of HK$0.025 at any time after the date of issue and before the maturity date. The effective interest rate of the liability component of the JL Convertible Note is 7.29%.

During the year 2008, the amount of HK$3,000,000 of JL Convertible Note was converted into ordinary shares of the Company.

On 3 February 2009, the Company early redeemed the entire JL Convertible Note and a gain on early redemption of convertible loan note of approximately HK$173,000 was recognised during the year ended 31 December 2009.

(b) On 16 July 2008, the Company issued convertible loan note with a principal amount of HK$7 million to Far East Holdings International Limited, for a term of three years with a coupon rate of 2% per annum (the "FE Convertible Note"). The FE Convertible Note is convertible into shares of the Company at the initial conversion price of HK$0.025 at any time after the date of issue and before the maturity date. The effective interest rate of the liability component of the FE Convertible Note is 7.29%.

On 3 February 2009, the Company early redeemed the entire FE Convertible Note and a gain on redemption of convertible loan note of approximately HK$1,767,000 was recognised during the year ended 31 December 2009.

(c) On 25 September 2008, the Company issued convertible loan note with a principal amount of HK$35 million to Goldig Investment Group Limited with a term of three years and zero coupon rate (the "Goldig Convertible Note"). The Goldig Convertible Note is convertible into shares of the Company at the initial conversion price of HK$0.125 at any time after the date of issue and before the maturity date. The effective interest rate of the liability component of the Goldig Convertible Note is 13.25%.

On 3 February 2009, the Company early redeemed principal amount of HK$28 million of the Goldig Convertible Note and a gain on early redemption of convertible loan note of approximately HK$11,719,000 was recognised during the year ended 31 December 2009.

Pursuant to the Company's circular dated 12 August 2009, the Company and the bondholders of the Goldig Convertible Note entered into the deed of amendments to modify the terms and conditions of the remaining of HK$7 million of the Goldig Convertible Note. Where the maturity date shall be the fifth anniversary of the date of issue instead of the third anniversary of the date of issue, and the mandatory conversion of any outstanding amount of the Goldig Convertible Note into new conversion shares at HK$0.239.

On 23 December 2010, an amount of HK$0.8 million of Goldig Convertible Note was converted into ordinary shares of the Company.

(d) On 29 January 2009, the Company issued convertible loan note with a principal amount of HK$60 million to China Star Entertainment Limited, for a term of 10 years with zero coupon rate (the "CS Convertible Note"). The CS Convertible Note is convertible into shares of the Company at the initial conversion price of HK$0.5 at any time after the date of issue and before the maturity date. The effective interest rate of the liability component of the CS Convertible Note is 34.9%.

On 26 May 2010, the Company early redeemed the entire CS Convertible Note and a loss on early redemption of convertible loan note of approximately HK$17,669,000 is recognised during the year ended 31 December 2010.

(e) On 8 April 2009, the Company issued convertible loan note with a principal amount of HK$100 million to Eternity Investment Limited (formerly known as China Star Investment Holdings Limited) as part of consideration for the acquisition of Shinhan-Golden and World East, for a term of 10 years with zero coupon rate (the "CSI Convertible Note"). The CSI Convertible Note is convertible into shares of the Company at the initial conversion price of HK$0.5 at any time after the date of issue and before the maturity date. The effective interest rate of the liability component of the CSI Convertible Note is 31.34%

On 26 May 2010, the Company early redeemed the entire CSI Convertible Note and a loss on early redemption of convertible loan note of approximately HK$26,984,000 is recognised during the year ended 31 December 2010.

(f) On 28 April 2009, the Company issued convertible loan note with a principal amount of HK$100 million to Xing Lin Medical Information Technology Company Limited (formerly known as Brilliant Arts Multi-Media Holding Limited), for a term of 10 years with zero coupon rate (the "BA Convertible Note"). The BA Convertible Note is convertible into shares of the Company at the initial conversion price of HK$0.521 at any time after the date of issue and before the maturity date. The effective interest rate of the liability component of the BA Convertible Note is 27.8%.

On 2 October 2009, the Company early redeemed the entire BA Convertible Note and a loss on early redemption of convertible loan note of approximately HK$16,296,000 is recognised during the year ended 31 December 2009.

The movement of the liability component of the convertible loan notes recognised in the statement of financial position of the Group and the Company are calculated as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Liability component at 1 January	17,596	33,731
Convertible loan notes issued during the year	—	18,122
Extension of period	(1,331)	—
Conversion during the year	(559)	—
Redemption during the year	(13,381)	(38,459)
Effective interest expenses	2,023	4,318
Interest paid	—	(116)
Liability component at 31 December	4,348	17,596
Current liabilities	—	—
Non-current liabilities	4,348	17,596
	4,348	17,596

36. DEFERRED TAXATION

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

The Group

	Revaluation of investment properties *HK$'000*	**Convertible loan notes** *HK$'000*	**Total** *HK$'000*
At 1 January 2009	—	—	—
Addition through acquisition of subsidiaries *(Note 42(b))*	55,363	—	55,363
Issue of convertible loan notes *(Note 40)*	—	39,910	39,910
Credited to consolidated income statement	(41)	(553)	(594)
Release on redemption of convertible loan notes *(Note 40)*	—	(14,929)	(14,929)
Release on disposal of investment properties	(48,147)	—	(48,147)
At 31 December 2009 and 1 January 2010	7,175	24,428	31,603
Release on redemption of convertible loan notes *(Note 40)*	—	(24,428)	(24,428)
Charged to consolidated income statement	3,545	—	3,545
Release on disposal of subsidiaries *(Note 43(a))*	(10,720)	—	(10,720)
At 31 December 2010	—	—	—

The Company

	Convertible loan notes *HK$'000*
At 1 January 2009	—
Issue of convertible loan notes *(Note 40)*	39,910
Credited to consolidated income statement	(553)
Release on redemption of convertible loan notes *(Note 40)*	(14,929)
At 31 December 2009 and 1 January 2010	24,428
Release on redemption of convertible loan notes *(Note 40)*	(24,428)
At 31 December 2010	—

At 31 December 2010, the Group has estimated unused tax losses of approximately HK$74,622,000 (2009: HK$71,929,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset was recognised during the year (2009: Nil) due to the unpredictability of future profit streams.

37. SHARE CAPITAL

	2010	2009
	HK$'000	*HK$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.01 each	30,000	30,000
Issued and fully paid:		
505,649,726 ordinary shares of HK$0.01 each (2009: 676,330,271 ordinary shares of HK$0.01 each)	5,056	6,763

A summary of the movements of the Company's issued capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital *HK$'000*
At 1 January 2009, ordinary shares of HK$0.05 each		328,926,613	16,446
Open offer of new shares	(i)	686,601,997	12,128
Share consolidation (10 into 1)	(ii)	(414,447,533)	—
Capital reduction	(ii)	—	(22,564)
Issue of shares arising on acquisition of subsidiaries	(iii)	11,769,194	118
Placing of new shares	(iv)	11,560,000	116
Issue of shares upon exercise of share option	(v)	51,920,000	519
At 31 December 2009 and 1 January 2010, ordinary shares of HK$0.01 each		676,330,271	6,763
Share consolidation (5 into 1)	(vi)	(541,064,217)	—
Capital reduction	(vi)	—	(5,411)
Placing of new shares	(vii)	284,000,000	2,840
Issue of shares arising on acquisition of subsidiaries	(viii)	59,183,672	592
Conversion of convertible loan notes	(ix)	1,600,000	16
Issue of shares upon exercise of share option	(x)	25,600,000	256
At 31 December 2010, ordinary shares of HK$0.01 each		505,649,726	5,056

Notes:

For the year ended 31 December 2009

(i) On 31 January 2009, 131,570,645 ordinary shares of HK$0.05 each at a price of HK$0.05 each were issued by the Company by way of open offer; and

On 2 July 2009, 555,031,352 ordinary shares of HK$0.01 each at a price of HK$0.1 each were issued by the Company by way of open offer.

(ii) Pursuant to an ordinary resolution passed in a special general meeting on 6 April 2009, every ten issued shares of the Company were consolidated into one consolidated share of HK$0.50 each. The consolidated shares of HK$0.50 each were then reduced to HK$0.01 each by canceling the paid-up capital to the extent of HK$0.49 on each issued consolidated share.

(iii) On 8 April 2009, 11,769,194 ordinary shares of the Company with par value of HK$0.01 each at a price of HK$0.18 each were issued as part of consideration on acquisition of Shinhan-Golden and World East. Details of the acquisition were set out in Note 42(b) to the consolidated financial statements.

(iv) On 14 May 2009, the Company placed 11,560,000 ordinary shares of HK$0.01 each at a placing price of HK$0.205 per share.

(v) In 2009, 51,920,000 ordinary shares of the Company with par value of HK$0.01 each were issued upon exercise of share options by the share option holders.

For the year ended 31 December 2010

(vi) Pursuant to an ordinary resolution passed in a special general meeting on 15 January 2010, every five issued shares of the Company of HK$0.01 each were consolidated into one consolidated share of HK$0.05 each. The consolidated shares of HK$0.05 each were then reduced to HK$0.01 each by canceling the paid-up capital to the extent of HK$0.04 on each issued consolidated share. The credit of approximately HK$5,411,000 arising from the reduction of issued share capital will be transferred to the contributed surplus account of the Company and be applied to offset against the accumulated losses permitted by the laws of Bermuda and the Bye-laws. Immediately after the capital consolidation, the number of issued shares of the Company was reduced to 135,266,054 shares of HK$0.01 each and the paid-up capital was reduced to approximately HK$1,352,000.

(vii) On 25 January 2010, the Company completed the first tranche placing of 100,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.30 per share with the net proceeds from the placing amounted to approximately HK$29,680,000;

On 5 February 2010, the Company completed the second tranche placing of 100,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.30 per share with the net proceeds from the placing amounted to approximately HK$29,670,000; and

On 30 December 2010, the Company completed the placing of 84,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.255 per share with the net proceeds from the placing amounted to approximately HK$20,227,000.

(viii) On 9 August 2010, 59,183,672 ordinary shares of the Company with par value of HK$0.01 each at a price of HK$0.31 were issued as part of consideration on acquisition of Infrared Engineering & Consultants Limited. Details of acquisition were set out in Note 42(a) to the consolidated financial statements.

(ix) On 23 December 2010, Goldig Convertible Notes with principal amount of HK$800,000 was converted into 1,600,000 ordinary shares at a conversion price of HK$0.50 per share.

(x) In 2010, 25,600,000 ordinary shares of the Company with par value of HK$0.01 each were issued upon exercise of share options by the share option holders.

38. SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (the "Scheme") on 6 March 2002. Under the terms of the Scheme, the board of directors of the Company (the "Board") may, at their discretion, grant options to selected persons to subscribe for shares in the Company as incentives or rewards for their contribution to the Group. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 30% of the issued share capital of the Company.

The subscription price will be determined by the Board and will not less than the highest of (i) the nominal value of the shares on the date of the offer, (ii) the closing price of the shares on the date of grant of the options, and (iii) the average of the closing prices of the shares on the five business days immediately preceding the date of offer of the options. The total number of shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant. The Scheme is valid and effective for a period of ten years from the listing of the Company's shares on the GEM on 26 March 2002. Any options granted under the Scheme may be exercised at any time during a period to be notified by the Board to each grantee but may not be exercised after the expiry of ten years from the date of grant of the option. Upon acceptance of the option, the grantee must pay HK$1.00 to the Company by way of consideration for the grant.

On 3 July 2007, the Company granted share options to certain of its directors and employees to subscribe for an aggregate of 2,970,000 shares under the Scheme at an exercise price of HK$0.219 per share and adjusted to HK$3.784 per share after share consolidation and capital reorganisation.

On 3 September 2009, the Company granted share options to certain of its directors and employees to subscribe for an aggregate of 62,400,000 shares under the Scheme at an initial exercise price of HK$0.091 per share and adjusted to HK$0.455 per share after capital reorganisation.

On 13 November 2009, the Company granted share options to certain of its directors and employees to subscribe for an aggregate of 18,720,000 shares under the Scheme at an initial exercise price of HK$0.1 per share and adjusted to HK$0.5 per share after capital reorganisation.

On 18 May 2010, the Company granted share options to certain of its consultants to subscribe for an aggregate of 8,400,000 shares under the Scheme at an exercise price of HK$0.202 per share.

On 2 June 2010, the Company granted share options to certain of its directors, employees and consultants to subscribe for an aggregate of 31,450,000 shares under the Scheme at an exercise price of HK$0.325 per share.

On 3 December 2010, the Company granted share options to certain of its consultants to subscribe for an aggregate of 2,040,000 shares under the Scheme at an exercise price of HK$0.347 per share.

During the year ended the Company's share options granted under the Scheme are as follows:

Date of grant	Category of eligible persons	Exercise price	Exercise period	Outstanding at 1 January 2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December 2009 and 1 January 2010	Adjustment for capital reorgani-sation	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2010
		HKD												
3 July 2007	Directors	3.784*	3 July 2007 to 5 March 2012	114,567	—	—	—	(114,567)	—	—	—	—	—	—
	Employees	3.784*	3 July 2007 to 5 March 2012	57,284	—	—	—	(57,284)	—	—	—	—	—	—
3 September 2009	Directors	0.091	3 September 2009 to 2 September 2010	—	6,240,000	(6,240,000)	—	—	—	—	—	—	—	—
	Employees	0.455*	3 September 2009 to 2 September 2010	—	12,480,000	(6,240,000)	—	—	6,240,000	(4,992,000)	—	—	(1,248,000)	—
	Consultants	0.455*	3 September 2009 to 2 September 2010	—	43,680,000	(26,960,000)	—	—	16,720,000	(13,376,000)	—	—	(3,344,000)	—
13 November 2009	Employees	0.5*	13 November 2009 to 12 November 2010	—	6,240,000	—	—	—	6,240,000	(4,992,000)	—	—	(1,248,000)	—
	Consultants	0.5*	13 November 2009 to 12 November 2010	—	12,480,000	(12,480,000)	—	—	—	—	—	—	—	—
18 May 2010	Consultants	0.202	18 May 2010 to 17 May 2011	—	—	—	—	—	—	—	8,400,000	(6,300,000)	—	2,100,000
2 June 2010	Directors	0.325	2 June 2010 to 1 June 2011	—	—	—	—	—	—	—	5,450,000	(2,100,000)	—	3,350,000
	Employees	0.325	2 June 2010 to 1 June 2011	—	—	—	—	—	—	—	2,100,000	(2,100,000)	—	—
	Consultants	0.325	2 June 2010 to 1 June 2011	—	—	—	—	—	—	—	23,900,000	(15,100,000)	—	8,800,000
3 December 2010	Consultants	0.347	3 December 2010 to 2 December 2011	—	—	—	—	—	—	—	2,040,000	—	—	2,040,000
	Total			171,851	81,120,000	(51,920,000)	—	(171,851)	29,200,000	(23,360,000)	41,890,000	(25,600,000)	(5,840,000)	16,290,000
	Exercisable at the end of the year								29,200,000					16,290,000
	Weighted average exercise price			HKD3.784	HKD0.43	HKD0.42	—	HKD3.784	HKD0.46	HKD0.46	HKD0.30	HKD0.29	HKD0.46	HKD0.31

* The exercise prices and numbers of share options which remained outstanding at the end of the reporting period have been adjusted due to completion of open offer and capital reorganisation during the year.

The fair value of options granted under the Scheme measured at the date of grant during the year ended was approximately HK$3,468,000. The following significant assumptions were used to derive the fair values using the Black-Scholes Model:

Date of granted	18 May 2010	2 June 2010	3 December 2010
Total number of share options	8,400,000	31,450,000	2,040,000
Option value	0.0440	0.0945	0.0624
Option life	1 year	1 year	0.5 year
Expected tenor	0.49 year	0.5 year	0.5 year
Exercise price	0.202	0.325	0.347
Stock price at the date of grant	0.18	0.325	0.33
Volatility	105.73%	116.01%	78.854%
Risk free rate	0.17%	0.34%	0.339%

39. EMPLOYEE AWARD PLAN

The Company's employee award plan (the "Plan") was adopted by the Board of Director on 24 July 2007 for the primary purpose of recruiting and motivating employees and directors to achieve superior performance. The Plan is valid and effective for 10 years commencing on 24 July 2007. Under the Plan, the Remuneration Committee of the Company may conditionally grant an award to any directors or employee of the Company and its subsidiaries. Upon vesting of the award, the grantee shall be entitled to a cash payment under the award if the award price exceeds the vesting price, subject to an overall limit as stated in the award letter.

The amount of award payment shall be determined in accordance with the following formula:

(Vesting Price — Award price) x Award Number

Vesting price means the average closing price of the Company's shares as stated in the daily quotation sheets issued by the stock exchange for five business days immediately preceding the vesting date.

No grantee was entitled to any payment under the award during the year ended 31 December 2010.

40. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current year and prior year are presented in the consolidated statement of changes in equity on page 29 to the consolidated financial statements.

The Company

	Share premium HK$'000	Contributed surplus HK$'000 (Note i)	Convertible loan notes reserve HK$'000 (Note ii)	Share-based payments reserve HK$'000 (Note iii)	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At 1 January 2009	135,062	—	12,693	98	(193,341)	(45,488)
Net loss for the year	—	—	—	—	(23,880)	(23,880)
Total comprehensive income for the year	—	—	—	—	(23,880)	(23,880)
Issue of convertible loan notes	—	—	241,878	—	—	241,878
Deferred tax of convertible loan notes *(Note 36)*	—	—	(39,910)	—	—	(39,910)
Redemption of convertible loan notes	—	—	(101,942)	—	4,840	(97,102)
Deferred tax released on redemption of convertible loan notes *(Note 36)*	—	—	14,929	—	—	14,929
Capital reduction	—	22,564	—	—	—	22,564
Issue of shares arising on acquisition of subsidiaries	2,001	—	—	—	—	2,001
Recognition of equity-settled share-based payments	—	—	—	4,197	—	4,197
Issue of shares upon exercise of share options	7,145	—	—	(2,827)	—	4,318
Cancellation of share options	—	—	—	(98)	98	—
Issue of new shares on open offer	49,066	—	—	—	—	49,066
Placing of new shares, net	2,210	—	—	—	—	2,210
At 31 December 2009 and 1 January 2010	195,484	22,564	127,648	1,370	(212,283)	134,783
Net loss for the year	—	—	—	—	(1,789)	(1,789)
Total comprehensive income for the year	—	—	—	—	(1,789)	(1,789)
Extension period of convertible loan notes	—	—	508	—	—	508
Redemption of convertible loan notes	—	—	(150,448)	—	48,482	(101,966)
Deferred tax released on redemption of convertible loan notes *(Note 36)*	—	—	24,981	—	(553)	24,428
Conversion of convertible loan notes	851	—	(308)	—	—	543
Capital reduction	—	5,411	—	—	—	5,411

	Share premium HK$'000	Contributed surplus HK$'000 (Note i)	Convertible loan notes reserve HK$'000 (Note ii)	Share-based payments reserve HK$'000 (Note iii)	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
Capital reorganisation	(252,834)	40,551	—	—	212,283	—
Issue of shares arising on acquisition of subsidiaries	17,755	—	—	—	—	17,755
Recognition of equity-settled share-based payments	—	—	—	3,468	—	3,468
Issue of shares upon exercise of share options	9,390	—	—	(2,101)	—	7,289
Lapsed of share options	—	—	—	(1,370)	1,370	—
Placing of new shares, net	76,737	—	—	—	—	76,737
Dividend paid *(Note 15)*	—	(40,232)	—	—	—	(40,232)
At 31 December 2010	47,383	28,294	2,381	1,367	47,510	126,935

Notes:

(i) The contributed surplus of the Company represents the capital reduction and capital reorganisation of share capital and reserves of the Company during the year.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if it is, or would after the payment be, unable to pay its liabilities as they become due or the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

(ii) The convertible loan notes reserve represents the value of the unexercised equity component of convertible loan notes issued by the Company.

(iii) The share-based payments reserve of the Company and the Group arises on the grant of share options of the Company and is dealt with in accordance with the accounting policies set out in Note 4 to the consolidated financial statements.

41. JOINTLY CONTROLLED ENTITIES

On 13 December 2010, the Group disposed of (i) its 19% owned jointly controlled entity of Amazing Goal and its subsidiaries and (ii) the Amazing Goal Sale Loan for a consideration of HK$1. A gain on disposal of approximately HK$10,022,000 arose from this disposal.

The following amounts are included in the Group's consolidated financial statements as a result of the proportionate consolidation of the above joint ventures up to the date of disposal.

	2010 *HK$'000*	2009 *HK$'000*
Non-current assets	—	61
Current assets	—	469
Current liabilities	—	(26,302)
Net liabilities	—	(25,772)
Discontinued operations		
Turnover	—	8,801
Cost of sales	—	(4,697)
Other revenue and income	8,520	50,043
Selling and distribution expenses	—	(342)
Administrative expenses	(507)	(27,088)
Other operating expenses	—	(875)
Finance costs	(7)	(311)
Profit/(loss) before tax	8,006	(25,531)
Tax charge	—	—
Profit/(loss) for the year	8,006	(25,531)

The Group has the following significant interests in joint ventures:

Name	Place of incorporation	Issued and fully paid up capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Amazing Goal	British Virgin Island ("BVI")	US$ 100	19%	—	Investment holding
GL Retailing (Hong Kong) Limited (Formerly known as Golife (Hong Kong) Limited)	Hong Kong	HK$500,000	—	19%	Distribution of high-end apparel and accessories
Golife (Trading) Limited	Hong Kong	HK$300,000	—	19%	Distribution of high-end jewellery and accessories
CR Hong Kong (Trading) Limited	Hong Kong	HK$300,000	—	19%	Distribution of high-end apparel and accessories
Golife (Management) Limited	Hong Kong	HK$ 10,000	—	19%	Provision of management services
GOL (International) Limited	BVI	US$ 1	—	19%	Dormant
Peak Choice Limited	BVI	US$ 1	—	19%	Investment in securities
Sunfame Limited	BVI	US$ 100	—	19%	Dormant
Profit First Investments Limited	BVI	US$ 1	—	19%	Investment holding
Better Point Limited	BVI	US$ 1	—	19%	Investment holding

42. ACQUISITIONS OF SUBSIDIARIES

During the year ended 31 December 2010, the Group acquired the following subsidiaries from independent third parties.

(a) Acquisition of Infrared Engineering & Consultants Limited ("Infrared")

On 9 August 2010, the Group acquired the entire issued share capital and the outstanding loan of Infrared for total consideration of approximately HK$18,347,000. The fair value of identifiable assets and liabilities of Infrared at the date of acquisition immediately before the acquisition were as follows:

	Fair value
	HK$'000
Property, plant and equipment	231
Trade receivables	251
Deposits, prepayments and other receivables	193
Amount due from shareholders	218
Cash and bank balances	27
Bank overdraft	(78)
Trade payables	(216)
Accruals and other payables	(31)
Tax payable	(74)
Net assets acquired	521
Sale loan	(218)
Goodwill	18,044
Total consideration	18,347
Consideration satisfied by:	
Fair value of shares issued *(Note i)*	18,347
Net cash outflow in respect of acquisition of a subsidiary:	
Cash and bank balances acquired	27
Bank overdraft acquired	(78)
	(51)

Note:

(i) 59,183,672 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of issued ordinary shares of the Company was determined with reference to the published price available at the date of acquisition of HK$0.31 per share, amounted to approximately HK$18,347,000.

During the year ended 31 December 2009, the Group acquired the following subsidiaries from independent third parties.

(b) **Acquisition of Shinhan-Golden and World East**

On 8 April 2009, the Group acquired the entire issued share capital and the Mega Shell Sale Loan for total consideration of HK$135,744,000. The identifiable assets and liabilities of Shinhan-Golden and World East at the date of acquisition immediately before the acquisition were as follows:

	Shinhan-Golden	**World East**	**Elimination on current account**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	20,123	7	—	20,130
Investment properties	920,564	—	—	920,564
Amount due from Shinhan-Golden	—	386,166	(386,166)	—
Investment in associate	—	3,896	(3,896)	—
Properties held for sale	28,969	—	—	28,969
Trade receivables	184	—	—	184
Prepayments, deposits and other receivables	1,689	4,971	—	6,660
Cash and bank balances	51,434	—	—	51,434
Amount due to Mega Shell	(47,199)	(745)	—	(47,944)
Amount due to China Star Investment Holding Limited	—	(375,535)	—	(375,535)
Trade payables and accruals	(13,252)	(217)	—	(13,469)
Receipts in advance	(39,645)	—	—	(39,645)
Amount due to World East	(386,166)	—	386,166	—
Bank loans, secured	(302,794)	—	—	(302,794)
Non-controlling interest	(3,896)	—	3,896	—
Deferred taxation	(55,363)	—	—	(55,363)
Net assets acquired	174,648	18,543	—	193,191
Sale loan				47,944
Gain from a bargain purchase				(105,391)
				135,744

	HK$'000
Consideration satisfied by:	
Fair value of shares issued *(Note i)*	2,119
Fair value of promissory note *(Note ii)*	25,952
Fair value of convertible loan notes *(Note 35(e))*	100,000
Cash	6,847
Transaction cost directly attributable to this acquisition	826
Total consideration	135,744
Net cash inflow in respect of acquisition of a subsidiary:	
Cash consideration paid	(6,847)
Transaction cost paid	(826)
Cash and bank balances acquired	51,434
	43,761

Notes:

(i) As part of the consideration for the acquisition, 11,769,194 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of issued ordinary shares of the Company was determined with reference to the published price available at the date of acquisition of HK$0.18 per share, amounted to approximately HK$2,119,000.

(ii) The face value of promissory note in amount of HK$100,000,000 would be paid by the Company with a fixed term of five years and will not carry any interest. The fair value of promissory note in amount of HK$25,952,000 was based on the calculation of the discounted cash flow method with discount rate 30.97%.

(c) **Acquisition of China Star Management Limited ("CSM") and Anglo Market International Limited ("AMI")**

On 31 July 2009, the Group acquired the entire issued share capital of CSM and AMI for total consideration of HK$3,137,971. The identifiable assets and liabilities of the CSM and AMI at the date of acquisition immediately before the acquisition were as follows:

	CSM	**AMI**	**Elimination on current account**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	79	—	—	79
Amount due from AMI	643	—	(643)	—
Deposits paid	8,556	521	—	9,077
Trade receivables	912	648	—	1,560
Prepayments, deposits and other receivables	956	158	—	1,114
Cash and bank balance	321	395	—	716
Amount due to Imperial Services Limited	(4,954)	(25)	—	(4,979)
Amount due to CSM	—	(643)	643	—
Trade payables and accruals	(1,851)	(700)	—	(2,551)
Receipts in advance	(296)	(1,125)	—	(1,421)
Net assets acquired	4,366	(771)	—	3,595
Gain from a bargain purchase				(457)
Total consideration				3,138
Consideration satisfied by:				
Cash				3,138
Net cash outflow in respect of the acquisition of subsidiaries:				
Cash consideration paid				(3,138)
Cash and bank balances acquired				716
				(2,422)

(d) **Acquisition of Creative Formula Limited ("Creative Formula")**

On 8 October 2009, the Group acquired the entire issued share capital of Creative Formula for total consideration of HK$8.2 million. The identifiable assets and liabilities of Creative Formula at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value
	HK$'000
Property, plant and equipment	1,267
Intangible assets	7,958
Other prepayments	26
Cash and bank balance	535
Accruals	(1,585)
Net assets acquired	8,201
Consideration satisfied by:	
Cash consideration	8,201
Net cash outflow in respect of the acquisition of a subsidiary:	
Cash consideration paid	(8,201)
Cash and bank balances acquired	535
	(7,666)

43. DISPOSAL/DEEMED DISPOSAL OF SUBSIDIARIES

(a) Disposal of Mega Shell

On 28 May 2010, the Group disposed of a wholly owned subsidiary of Mega Shell and its subsidiaries and Mega Shell Sale Loan for a consideration of RMB119,570,000 (equivalent to approximately HK$136,029,000). A gain on disposal of approximately HK$64,568,000 arose from this disposal was recognised in the consolidated income statement. Summary of the effect of the disposal of the subsidiaries is as follows:

	HK$'000
Property, plant and equipment	7,043
Investment properties	130,436
Prepayments and other receivables	1,436
Properties held for sale	29,033
Cash and bank balances	31,904
Other payable and accruals	(69,773)
Amount due to the ultimate holding company	(10,916)
Receipts in advance	(39,288)
Tax payable	(15,215)
Deferred taxation	(10,720)
Net assets disposed of	53,940
Mega Shell Sale Loan	10,916
Release of translation reserve	6,605
	71,461
Gain on disposal	64,568
Total consideration	136,029
Satisfied by:	
Cash consideration received	136,029
Net cash inflow in respect of disposal of subsidiaries:	
Cash consideration received	136,029
Cash and cash equivalents disposed of	(31,904)
	104,125

The subsidiaries disposed of during the year did not contribute significantly to the Group's result and cash flows.

(b) **Deemed disposal of Amazing Goal, a then subsidiary of the Company**

In July 2009, the Group's interest in Amazing Goal decreased from 100% to 50% following the allotment and issuance of 50 shares of Amazing Goal at a price of US$1 each to Chung Chiu (PTC) Limited ("Chung Chiu") pursuant to a subscription agreement. Gain on deemed disposal of partial interest in Amazing Goal as a subsidiary amounted to approximately HK$32,758,000.

After the transactions mentioned above, Amazing Goal became a jointly controlled entity of the Group.

Detail of the net assets at the disposal date was as follows:

	HK$'000
Property, plant and equipment	393
Inventories	952
Other investment	1
Trade receivables	269
Deposits, prepayments and other receivables	3,067
Trade payables	(1,019)
Accruals and other payables	(11,443)
Amount due to the Company	(22,193)
Tax payable	(294)
Bank overdraft	(1,611)
Interest-bearing borrowings	(880)
Gain on deemed disposal of subsidiaries	(32,758)

44. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following material transactions with related parties during the year:

(a) **Related entities**

		2010	**2009**
	Notes	*HK$'000*	*HK$'000*
Management fee charged by a related company	(i)	2,400	4,800
Acquisition of subsidiaries from related companies	(ii)	—	147,094
Dividend paid to a related company	(iii)	2,542	—
Repayment of convertible loan notes and promissory note to related companies	(iv)	260,000	—
Repayment loan to a related company	(v)	155,535	—

Notes:

(i) Management fee was charged at a rate mutually agreed between the Group and the related company in which certain directors of the Company's subsidiary have beneficial interests, by reference to sharing of office premises and supplies, and manpower in provision of administrative services to the Group.

(ii) On 8 April 2009, the Group acquired the entire issued share capital and the outstanding shareholders' loan of Shinhan-Golden and World East for total consideration of approximately HK$135,755,000. On 31 July 2009, the Group acquired the entire issued share capital of CSM and AMI for approximately HK$3,138,000, and on 8 October 2009, the Group acquired the entire issued share capital of Creative Formula for total consideration of approximately HK$8,201,000.

(iii) On 5 May 2010, a special dividend of approximately HK$2,542,000 was distributed to Eternity Investment Limited ("Eternity") (formerly known as China Star Investment Holdings Limited), a company which Mr. Heung Wah Keung, a director of the Company, was beneficial/interested in it.

(iv) The Group repaid convertible loan notes and promissory note amounted to HK$100,000,000 and HK$100,000,000 respectively to Eternity and convertible loan notes amounted to HK$60,000,000 to China Star Entertainment Limited during the year.

(v) The Group repaid a shareholder's loan of approximately HK$155,535,000 to Eternity during the year.

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

	2010	**2009**
	HK$'000	*HK$'000*
Salaries and other benefits	1,732	1,674
Provident fund convertors	1	10
	1,733	1,684

45. OPERATING LEASE ARRANGEMENT

The Group as lessee

The Group leases certain retail shops and office premises under operating lease arrangements. Leases for retail shops and office premises are negotiated for terms ranging from 1 to 3 years. Leases for retail shops were no longer exist due to discontinued operations of distribution business.

At the end of the reporting period, the Group had future minimum lease payments under non-cancelable operating leases falling due is as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Within one year	224	—
In the second to fifth years, inclusive	—	—
	224	—

46. COMMITMENTS

The Group and the Company did not have any significant commitments at the end of the reporting period (2009: Nil).

47. CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities at the end of the reporting period (2009: Nil).

48. FINANCIAL INSTRUMENTS

	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss	—	1
Loans and receivables (including cash and cash equivalents)	122,195	428,423
	122,195	428,424
Financial liabilities		
Financial liabilities at amortised cost	22,289	371,942

Fair value estimation

The fair value of financial assets and financial liabilities with standard terms and conditions and trade in active liquid market are determined with reference to quoted market bid prices and ask prices respectively.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification of repackaging);

Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by the fair value hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010	—	—	—	—
At 31 December 2009				
Financial assets at fair value through profit or loss	1	—	—	1

There were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise convertible loan notes, promissory note, amount due to a shareholder, interest-bearing bank and other borrowings, trade payables and bank overdraft. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables as well as deposits and other receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest risk, foreign currency risk, liquidity risk and credit risk. The board of directors reviews and agrees policies for managing each of the risks which are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 4 to the consolidated financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its bank borrowings, bank overdraft and bank balances with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

At the end of the reporting period, the Group has no significant expense to interest rate risk. The exposures to the interest rate risk are monitored on an ongoing basis.

Foreign currency risk

The Group operates mainly in both the PRC and Hong Kong and majority of transactions are dominated in Renminbi and Hong Kong dollars. Therefore, the Group is exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollars.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting dates are as follows:

	Assets		Liabilities	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi	—	340,481	—	39,334

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in Renminbi. At 31 December 2010, if there is a 50 basis points higher/lower in the Hong Kong dollars against the Renminbi with other variables held constant, the Group's translation reserve would be increase or decrease by Nil (2009: approximately HK$1,506,000).

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdraft, bank loans, finance leases, other interest-bearing loans, promissory note and convertible loan notes.

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2010							
Non-derivative financial liabilities							
Convertible loan notes	13.86%	—	—	6,211	—	6,211	4,348
Accruals and other payables	—	9,213	—	—	—	9,213	9,213
Trade payables	—	325	—	—	—	325	325
Bank overdraft	—	32	—	—	—	32	32
		9,570	—	6,211	—	15,781	13,918

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2009							
Non-derivative financial liabilities							
Convertible loan notes	13.61%-13.86%	—	—	12,579	359,757	372,336	17,596
Promissory note	13.86%	—	—	158,905	—	158,905	31,831
Amount due to a shareholder	—	155,535	—	—	—	155,535	155,535
Interest-bearing bank and other borrowings	2.75%-6.25%	130	—	—	—	130	130
Accruals and other payables	—	124,225	—	—	—	124,225	124,225
Trade payables	—	197	—	—	—	197	197
		280,087	—	171,484	359,757	811,328	329,514

Credit risk

At 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk is primarily attributable to trade or other receivables. The Group has no significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivable are disclosed in Note 23 to the consolidated financial statements.

Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities, with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices.

(ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model.

Except for the liability component of convertible loan notes which recorded amortised cost as below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values:

	31 December 2010		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Promissory note	—	—	31,831	23,892
Convertible loan notes	4,348	4,570	17,596	53,679

Note: The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion option.

50. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 2009.

The Group monitors capital using a gearing ratio, which is interest-bearing borrowings divided by the total of borrowings and equity. Borrowings include interest-bearing borrowings and convertible loan notes. Equity includes all share capital and reserves at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
Borrowings:		
Interesting-bearing bank and other borrowings	—	130
Convertible loan notes, liability components	4,348	17,596
	4,348	17,726
Equity:		
Total equity	115,698	175,380
Gearing ratio	3.76%	10.1%

51. EVENTS AFTER THE REPORTING PERIOD

The following events have occurred subsequent to 31 December 2010:

(i) On 16 November 2010, the Company entered into a sale and purchase agreement with an independent third party in relation to a very substantial acquisition to acquire (i) the entire issued share capital of Sinofocus Media (Holdings) Limited ("Sinofocus"), a wholly owned subsidiary of Media China Corporation Limited ("Media China") which is listed on the main board of the Stock Exchange, which is engaged in television advertising in the PRC and (ii) the aggregate outstanding shareholder's loan owing by Sinofocus to Media China. The deposit of HK$40,000,000 has been paid by the Company in cash upon signing of the sale and purchase agreement (Note 24) and the remaining consideration of HK$42,000,000 shall be payable by the Company in cash upon the completion. The acquisition is not yet completed on the date when the consolidated financial statements are authorised for issue.

(ii) On 8 December 2010, the Company, China Star Entertainment (BVI) Limited ("China Star (BVI)"), a wholly owned subsidiary of China Star Entertainment Limited which is listed on the main board Stock Exchange, and China Star Film Group Limited (the "JV Company") entered into a joint venture agreement (the "JV Agreement") relating to the formation of the JV Company, which is principally engaged in production and distribution of films. Pursuant to the JV Agreement, the Company agreed to further subscribe and the JV Company agreed to further issue and allot 29 shares of the JV Company at a price of HK$1,000,000 per share for a total consideration of HK$29,000,000. The JV Company shall be owned as to 50% by the Company and as to 50% by China Star (BVI). The formation of the JV Company was completed on 7 January 2011.

(iii) On 3 January 2011, the Company granted 38,740,000 share options to certain of its directors, consultants and employees to subscribe for an aggregate of 38,740,000 shares under the Scheme at an exercise price of HK$0.335 per share. The share options are exercisable for the period from 3 January 2011 to 2 January 2012.

52. PARTICULARS OF INTERESTS IN SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particular of excessive length.

Name	Place of incorporation	Issued and fully paid up capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
China Star Film Group Limited	BVI	HK$ 1,000,000	100%	—	Investment holding
Dance Star Group Limited	BVI	US$ 1	100%	—	Investment holding
Mega Shell	BVI	US$ 1	100%	—	Investment holding
Premium Dignity Investments Limited	BVI	US$ 1	100%	—	Investment holding
AMI	BVI	US$ 1	—	100%	Artist management
China Star Film Production Limited	Hong Kong	HK$ 1	—	100%	Film production
CSM	Hong Kong	HK$ 290,000	—	100%	Artist management
Creative Formula	Hong Kong	HK$10,000,000	—	100%	Film production
Infrared	Hong Kong	HK$ 2	—	100%	Infrared consultancy services
Shinhan-Golden	BVI	US$10,000,000	—	100%	Investment holding
World East	BVI	US$ 1	—	100%	Investment holding
北京莎瑪房地產開發有限公司	The PRC	US$15,000,000	—	100%	Property management

53. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 18 March 2011.

3. UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The following financial information is extracted from the interim report of the Company for the six months ended 30 June 2011. The Company had no exceptional or extraordinary items for the six months ended 30 June 2011. The Group did not record any non-controlling interests for the six months ended 30 June 2011, all loss of the Group for the six months ended 30 June 2011 was attributable to owners of the Group.

For the six months ended 30 June 2011

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended		For the six months ended	
		30 June 2011	30 June 2010	**30 June 2011**	30 June 2010
		(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations					
Turnover	4	**12,081**	9,676	**21,511**	12,603
Cost of sales		**(9,474)**	(7,566)	**(16,849)**	(9,697)
Gross profit		**2,607**	2,110	**4,662**	2,906
Other revenue and income	5	**67**	983	**90**	1,006
Administrative expenses		**(1,705)**	(9,023)	**(5,892)**	(12,937)
Other operating expenses	6	**—**	(108,906)	**—**	(108,906)
Finance costs	7	**(148)**	(2,153)	**(292)**	(5,633)
Profit/(loss) before tax	8	**821**	(116,989)	**(1,432)**	(123,564)
Tax credit	9	**—**	235	**—**	235
Profit/(loss) for the period from continuing operations		**821**	(116,754)	**(1,432)**	(123,329)
Discontinued operations					
Profit for the period from discontinued operations	10	**—**	58,429	**—**	66,229

		For the three months ended		For the six months ended	
		30 June 2011	30 June 2010	**30 June 2011**	30 June 2010
		(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(loss) attributable to owners of the Company		**821**	(58,325)	**(1,432)**	(57,100)
Dividend		**—**	40,232	**—**	40,232
Earnings/(loss) per share	11				
From continuing and discontinued operations					
— Basic and diluted		**HK0.16 cent**	HK(17.40) cents	**HK(0.28) cent**	HK(18.90) cents
From continuing operations					
— Basic and diluted		**HK0.16 cent**	HK(34.82) cents	**HK(0.28) cent**	HK(40.82) cents
From discontinued operations					
— Basic and diluted		**N/A**	HK17.42 cents	**N/A**	HK21.92 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		For the six months ended	
	30 June 2011	30 June 2010	**30 June 2011**	30 June 2010
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(loss) for the period	**821**	(58,325)	**(1,432)**	(57,100)
Other comprehensive income				
Exchange differences on translation of foreign operations during the period	**—**	(3,151)	**—**	(6,068)
Total comprehensive income for the period	**821**	(61,476)	**(1,432)**	(63,168)
Total comprehensive income attributable to owners of the Company	**821**	(61,476)	**(1,432)**	(63,168)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	12	**193**	204
Intangible assets		**1,175**	1,175
Goodwill		**14,200**	14,200
Total non-current assets		**15,568**	15,579
Current assets			
Film in progress		**1,314**	—
Trade receivables	13	**671**	1,439
Deposits, prepayments and other receivables		**14,130**	54,276
Cash and bank balances		**105,215**	66,770
Total current assets		**121,330**	122,485
Current liabilities			
Bank overdraft		**—**	32
Trade payables	14	**—**	325
Accruals and other payables		**7,339**	9,213
Receipts in advance		**8,230**	8,370
Tax payable		**15**	78
Total current liabilities		**15,584**	18,018
Net current assets		**105,746**	104,467
Total assets less current liabilities		**121,314**	120,046
Non-current liabilities			
Convertible loan notes	15	**4,639**	4,348
Total non-current liabilities		**4,639**	4,348
Net assets		**116,675**	115,698
Equity			
Issued capital	16	**5,056**	5,056
Reserves		**111,619**	110,642
Total equity		**116,675**	115,698

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Contributed surplus (Unaudited) HK$'000	Convertible loan notes reserve (Unaudited) HK$'000	Share-based payments reserve (Unaudited) HK$'000	Exchange reserve (Unaudited) HK$'000	(Accumulated losses)/ retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 1 January 2010	6,763	195,484	22,564	127,648	1,370	(537)	(177,912)	175,380
Net loss for the period	—	—	—	—	—	—	(57,100)	(57,100)
Other comprehensive income for the period	—	—	—	—	—	(6,068)	—	(6,068)
Total comprehensive income for the period	—	—	—	—	—	(6,068)	(57,100)	(63,168)
Extension period of convertible loan notes	—	—	—	508	—	—	—	508
Capital reduction	(5,411)	—	5,411	—	—	—	—	—
Placing new shares, net	2,000	57,350	—	—	—	—	—	59,350
Capital reorganisation	—	(252,834)	40,551	—	—	—	212,283	—
Dividend, paid	—	—	(40,232)	—	—	—	—	(40,232)
Redemption of convertible loan notes	—	—	—	(150,448)	—	—	48,483	(101,965)
Deferred tax released on redemption of convertible loan notes	—	—	—	24,192	—	—	—	24,192
Recognition of equity-settled share-based payments	—	—	—	—	3,341	—	—	3,341
Release of exchange reserve upon disposal of a subsidiaries	—	—	—	—	—	6,605	—	6,605
At 30 June 2010	3,352	—	28,294	1,900	4,711	—	25,754	64,011

	Issued capital	Share premium	Contributed surplus	Convertible loan notes reserve	Share-based payments reserve	Exchange reserve	(Accumulated losses)/ retained profits	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	**5,056**	**47,383**	**28,294**	**2,381**	**1,367**	**—**	**31,217**	**115,698**
Net loss for the period	—	—	—	—	—	—	(1,432)	(1,432)
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—	(1,432)	(1,432)
Recognition of equity-settled share-based payments	—	—	—	—	2,409	—	—	2,409
Lapsed of share options	—	—	—	—	(1,240)	—	1,240	—
At 30 June 2011	**5,056**	**47,383**	**28,294**	**2,381**	**2,536**	**—**	**31,025**	**116,675**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Net cash from/(used in) operating activities	**38,502**	(5,145)
Net cash used in investing activities	**(24)**	(2,116)
Net cash used in financing activities	**(1)**	(136,893)
Net increase/(decrease) in cash and cash equivalents	**38,477**	(144,154)
Cash and cash equivalents at beginning of period	**66,738**	230,463
Effect of foreign exchange rate changes	**—**	(6,068)
Cash and cash equivalents at end of period	**105,215**	80,241
Analysis of balances of cash and cash equivalents	**105,215**	80,241
Cash and bank balances	**105,215**	80,241

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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 unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The Company's principal activity is investment holding and the principal activities of its subsidiaries and jointly controlled entity are provision of artists management services, film production and film distribution and provision of infrared thermal imaging and thermography solutions and consultancy services.

2. Basis of preparation and consolidation

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost convention, as modified for the revaluation of certain financial instruments and investment properties which are stated at their fair values.

Certain comparative figures have been reclassified to conform with current year's presentation.

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in annual financial statements for the year ended 31 December 2010.

All significant intercompany transactions, balances and unrealised gains on transactions within the Group have been eliminated on consolidation.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and financial position of the Group.

3. **Segment information**

Segment information is presented by way of two formats: (a) the primary segment reporting format by business segment and (b) the secondary reporting format by geographical segment.

a. **Business Segment**

For management purposes, the Group is currently organised into three operating divisions, namely, infrared consultancy services, artist management and film production. Two operations (distribution and service apartment operation) were discontinued in the last year. These divisions are the basis on which the Group reports its primary segment information.

Infrared consultancy services:	Providing infrared thermal imaging and thermograph solutions and consultancy services
Artist management:	Service income from provision of artist management
Film production:	Income from provision of film right
Distribution:	Distribution of high-end apparel and accessories
Service apartment operation:	Property rental income

	Continuing operations								Discontinued operations							
	Infrared consultancy services		**Artist management**		**Film production**		**Sub-total**		**Distribution**		**Service apartment operation**		**Sub-total**		**Total**	
	For the six months ended 30 June		**For the six months ended 30 June**		**For the six months ended 30 June**		**For the six months ended 30 June**		**For the six months ended 30 June**		**For the six months ended 30 June**		**For the six months ended 30 June**		**For the six months ended 30 June**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**254**	—	**21,157**	12,603	**100**	—	**21,511**	12,603	**—**	—	**—**	—	**—**	—	**21,511**	12,603
Capital expenditure	**—**	—	**24**	—	**—**	—	**24**	—	**—**	—	**—**	1,980	**—**	1,980	**24**	1,980
Unallocated capital expenditure							**—**	286					**—**	—	**—**	286
							24	286					**—**	1,980	**24**	2,266
	At 30 June 2011	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010
	(Unaudited)	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**14,632**	15,089	**20,330**	17,428	**32,746**	32,587	**67,708**	65,104	**—**	—	**—**	—	**—**	—	**67,708**	65,104
Unallocated assets							**69,190**	72,960					**—**	—	**69,190**	72,960
Total assets							**136,898**	138,064					**—**	—	**136,898**	138,064

b. **Geographical Segment**

	Continuing Operations								Discontinued Operations			
	Hong Kong		**The PRC**		**USA**		**Sub-Total**		**The PRC**		**Total**	
	For the six months ended 30 June		**For the six months ended 30 June**		**For the six months ended 30 June**		**For the six months ended 30 June**		**For the six months ended 30 June**		**For the six months ended 30 June**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**5,533**	795	**15,978**	11,615	**—**	193	**21,511**	12,603	**—**	—	**21,511**	12,603
Capital expenditure	**24**	286	**—**	—	**—**	—	**24**	286	**—**	1,980	**24**	2,266
	At 30 June 2011	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010
	(Unaudited)	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets	**15,568**	15,579	**—**	—	**—**	—	**15,568**	15,579	**—**	—	**15,568**	15,579

4. **Turnover**

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	**2011**	2010
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Infrared consultancy services	**77**	—	**254**	—
Film right income	**100**	—	**100**	—
Artists management services	**11,904**	9,676	**21,157**	12,603
	12,081	9,676	**21,511**	12,603

5. **Other revenue and income**

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	**2011**	2010
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Bank interest income	**56**	19	**73**	30
Sundry income	**11**	964	**17**	976
	67	983	**90**	1,006
Discontinued operations				
Bank interest income	**—**	1	**—**	91
Gain on disposal of property, plant and equipment	**—**	82	**—**	89
Sundry income	**—**	1,861	**—**	1,866
	—	1,944	**—**	2,046
	67	2,927	**90**	3,052

6. **Other operating expenses**

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	**2011**	2010
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss on early redemption of promissory note	**—**	64,252	**—**	64,252
Loss on early redemption of convertible loan notes	**—**	44,654	**—**	44,654
	—	108,906	**—**	108,906

7. **Finance costs**

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	**2011**	2010
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Effective interest expenses on convertible loan notes	**148**	667	**291**	1,717
Effective interest expenses on promissory note	**—**	1,486	**—**	3,916
Interest on bank loans and overdrafts wholly repayable within five years	**—**	—	**1**	—
	148	2,153	**292**	5,633
Discontinued operations				
Interest on bank loans and overdrafts wholly repayable within five years	**—**	—	**—**	1
Interest on finance leases	**—**	2	**—**	6
	—	2	**—**	7
	148	2,155	**292**	5,640

8. **Profit/(loss) before tax**

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	**2011**	2010
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Depreciation of property, plant and equipment	**19**	101	**35**	189
Minimum lease payments under operating leases on land and buildings	**53**	261	**107**	304
Staff costs including directors' remuneration	**755**	910	**1,507**	1,932
Equity-settled share option expenses	**—**	—	**2,409**	—
Discontinued operations				
Depreciation of property, plant and equipment	**—**	807	**—**	1,658
Minimum lease payments under operating leases on land and buildings	**—**	216	**—**	235
Staff costs including directors' remuneration	**—**	679	**—**	910

9. **Tax credit**

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	**2011**	2010
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Deferred tax	—	235	—	235
	—	235	—	235
Discontinued operations				
Deferred tax	—	(3,545)	—	(3,545)
	—	(3,545)	—	(3,545)
	—	(3,310)	—	(3,310)

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses bought forward during the period under review (2010: Nil).

10. **Discontinued operations**

On 28 May 2010, the Group disposed of (i) its wholly owned subsidiary of Mega Shell Services Limited ("Mega Shell") and its subsidiaries (collectively referred to the "Mega Shell Group") and (ii) an amount due to its ultimate holding company (the "Mega Shell Sale loan"). Upon completion of the disposal, the Mega Shell Group will cease to be subsidiaries of the Company and the business of service apartment operation which is solely carried out by the Mega Shell Group, will become a discontinued operation of the Group.

On 13 December 2010, the Group disposed of (i) its 19% owned jointly controlled entity of Amazing Goal International Limited ("Amazing Goal") and its subsidiaries (collectively referred to the "Amazing Goal Group") and (ii) an amount due to its ultimate holding company (the "Amazing Goal Sale Loan"). Upon completion of the disposal, the Amazing Goal Group will cease to be jointly controlled entities of the Company and the business of distribution which is solely carried out by the Amazing Goal Group, will become a discontinued operation of the Group.

The combined results of the discontinued operations related to the Mega Shell Group and the Amazing Goal Group are set out below.

	For the three months ended		For the six months ended	
	30 June 2011	30 June 2010	**30 June 2011**	30 June 2010
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other revenue and income	—	1,944	—	2,046
Gain arising on change in fair values of investment properties	—	—	—	11,816
Administrative expenses	—	(4,536)	—	(8,649)
Finance costs	—	(2)	—	(7)
(Loss)/profit before tax	—	(2,594)	—	5,206
Tax	—	(3,545)	—	(3,545)
	—	(6,139)	—	1,661
Gain on disposal of the Mega Shell Group	—	64,568	—	64,568
Profit for the period from discontinued operations	—	58,429	—	66,229

11. **Earnings/(loss) per share**

The calculation of the basic earnings/(loss) per share is based on the profit attributable to owners of the Company for the three months ended 30 June 2011 of approximately HK$0.8 million (2010: loss attributable to owners of the Company of approximately HK$58.3 million) and loss attributable to owners of the Company for the six months ended 30 June 2011 of approximately HK$1.4 million (2010: loss attributable to owners of the Company of approximately HK$57.1 million) and the weighted average of 505,649,726 shares in issue during the three months ended 30 June 2011 (2010: 335,266,054 shares) and the weighted average of 505,649,726 shares in issue during the six months ended 30 June 2011 (2010: 302,116,882 shares).

For the three months and six months ended 30 June 2011 and 2010, diluted earnings/(loss) per share was not presented as the exercise of share option and conversion of all outstanding convertible loan notes would have anti-dilutive effects.

12. **Property, plant and equipment**

	(Unaudited) *HK$'000*
Net book value at 1 January 2011	204
Additions	24
Disposal	—
Depreciation for the period	(35)
Net book value at 30 June 2011	193

13. **Trade receivables**

An aged analysis of the trade receivables is as follows:

	At 30 June 2011 ***(Unaudited)*** ***HK$'000***	**At 31 December** 2010 *(Audited)* *HK$'000*
0 — 90 days	**141**	911
91 — 180 days	**—**	40
181 — 365 days	**42**	488
Over 365 days	**488**	—
	671	1,439

14. **Trade payables**

An aged analysis of the trade payables is as follows:

	At 30 June 2011 ***(Unaudited)*** ***HK$'000***	**At 31 December** 2010 *(Audited)* *HK$'000*
0 — 90 days	**—**	4
91 — 180 days	**—**	159
181 — 365 days	**—**	162
Over 365 days	**—**	—
	—	325

15. **Convertible loan notes**

	At 30 June 2011 *(Unaudited)* ***HK$'000***	**At 31 December** 2010 *(Audited)* *HK$'000*
Liability component at 1 January	**4,348**	17,596
Extension of period	**—**	(1,331)
Conversion during the period	**—**	(559)
Redemption during the period	**—**	(13,381)
Effective interest expenses	**291**	2,023
Liability component	**4,639**	4,348

16. **Share capital**

	Number of shares	*HK$'000*
Authorised:		
At 1 January 2011 and 30 June 2011, ordinary shares of HK$0.01 each	3,000,000,000	30,000
Issued and full paid:		
At 1 January 2010 and 30 June 2011, ordinary shares of HK$0.01 each	505,649,726	5,056

17. **Operating lease arrangement**

The Group leases office premises under operating lease arrangement. Leases for office premises are negotiated for the term in 2 years.

At the financial position date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2011	At 31 December 2010
	(Unaudited)	*(Audited)*
	HK$'000	*HK$'000*
Within one year	**89**	224
In the second to fifth years, inclusive	**—**	—
	89	224

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

4. INDEBTEDNESS STATEMENT

Borrowing

As at the close of business on 30 June 2011, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this Composite Document, the Group had outstanding borrowings of approximately HK$4,600,000 which comprised by the liability component of the CLN of approximately HK$4,600,000 with an aggregate principal amount of approximately HK$6,200,000. As at 30 June 2011, the Group's banking facilities of HK$200,000 was secured by personal guarantees of two directors of a wholly-owned subsidiary.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have, at 30 June 2011, any loan capital issued and outstanding or agreed to be issued, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptances credits or hire purchase commitments, guarantees or any material contingent liabilities as at the close of business on 30 June 2011. The Directors confirmed that there had been no material change in the indebtedness of the Group since 30 June 2011.

5. MATERIAL CHANGE

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the GEM Listing Rules and the Takeovers Code for the purpose of providing information with regards to the Offers and the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror, Century City and parties acting in concert with any of them, the terms and conditions of the Offers and the intention of the Offeror regarding the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained in this Composite Document misleading.

2. SHARE CAPITAL

(a) Share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		*HK$*
3,000,000,000	Shares	30,000,000
Issued and fully paid:		
505,649,726	Shares	5,056,497.26

All the existing Shares rank pari passu in all respects with one another, including all rights as to dividends, voting rights and interests in capital.

The Shares are listed and traded on the GEM. No Shares are listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be sought, on any other stock exchange.

No Shares have been issued and allotted since 31 December 2010, the date to which the latest published audited consolidated accounts of the Group were made up.

(b) Options, warrants and conversion rights

As at the Latest Practicable Date, the Company had (i) 505,649,726 Shares in issue; (ii) 40,780,000 outstanding Share Options which entitling the holders thereof to subscribe for 40,780,000 Shares; and (iii) the CLN of HK$6,200,000 entitling the holders thereof to convert into 12,731,006 Shares at an adjusted conversion price of HK$0.487 per Share.

Save as disclosed, the Company has no other options, warrants, derivatives or other securities that carry a right to subscribe for or which are convertible into Shares.

3. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company 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) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

(a) **Long positions in the Shares**

Name of Director	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares	Percentage of the issued share capital of the Company
Lai Hok Lim	Beneficial owner	3,348,000	2,940,000	6,288,000	1.24%

(b) **Interests in share options under the share option scheme of the Company:**

Name of KH Director/chief executive of the Company	Exercise period	Exercise price	Number of share options	Position
Lai Hok Lim	3 January 2011 to 2 January 2012	HK$0.335	2,940,000	Long

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, save as disclosed in paragraph 3 above, none the Directors had any interest in the shares, warrants, options, derivatives, and securities carrying conversion or subscription rights into shares of the Company.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

So far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or, who were expected, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long position in the Shares

Name	Capacity	Interest in Shares	Total interest in Shares	Percentage of the issued share capital of the Company
Aikford Financial Services Limited	Beneficial owner	151,000,000	151,000,000	29.86%
Century City Holdings Limited	Held by controlled corporation	151,000,000	151,000,000	29.86%
Century City BVI Holdings Limited	Held by controlled corporation	151,000,000	151,000,000	29.86%
Century City International Holdings Limited	Held by controlled corporation	151,000,000	151,000,000	29.86%
Grand Modern Investments Limited	Held by controlled corporation	151,000,000	151,000,000	29.86%
Century Digital Holdings Limited	Held by controlled corporation	151,000,000	151,000,000	29.86%
Net Community Limited	Held by controlled corporation	151,000,000	151,000,000	29.86%
Secure Way Technology Limited	Held by controlled corporation	151,000,000	151,000,000	29.86%
Lo Yuk Sui	Held by controlled corporation	151,000,000	151,000,000	29.86%
New Asia Media Development Limited	Beneficial owner	147,030,000	147,030,000	29.08%
Culture Landmark Investment Limited	Held by controlled corporation	147,030,000	147,030,000	29.08%

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests and/or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was expected, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of Group.

5. INTERESTS IN THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of the Directors had any interest in the shares, warrants, options, derivatives, and securities carrying conversion or subscription rights into shares of Century City or the Offeror.

6. DEALINGS IN SECURITIES OF THE COMPANY

During the Relevant Period,

(a) the Directors did not have any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares.

(b) no subsidiaries of the Company, pension funds of any member of the Group or advisers to the Company as specified in class (2) of the definition of associate under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares;

(c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares; and

(d) no fund managers connected with the Company had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares.

7. DEALINGS IN SECURITIES OF THE OFFEROR

During the Relevant Period, none of the Company and the Directors had any dealings in the share, warrants, options, derivatives, and securities carrying conversion or subscription rights into shares of Century City or the Offeror.

8. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date,

(a) no Shares or any convertible securities, warrants, option or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code.

(b) none of the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code had any arrangement or indemnity of the kind described in Note 8 to Rule 22 of the Takeovers Code with any person.

(c) no Shares or any convertible securities, warrants, option or derivatives issued by the Company was owned or controlled by a person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(d) no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company.

(e) no benefit (other than statutory compensation) would be given by the Offeror to any Director as compensation for loss of office or otherwise in connection with the Offers.

(f) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

(g) no material contracts have been entered into by Century City or the Offeror in which any Director has a material personal interest.

(h) there is no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before Monday, 4 July 2011 (being the date of commencement of the Offer Period); (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is fixed term contract with more than 12 months to run irrespective of the notice period.

(i) Mr. Lai Hok Lim, the Director who is the beneficial owner of 3,348,000 Shares and 2,940,000 outstanding Options, intends to accept the Offers; and

(j) none of the Company or the Directors borrowed or lent, save for any borrowed shares which have been either on-lent or sold, any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company, Century City or the Offeror.

9. MATERIAL CONTRACTS

The following contracts were entered into by the Group (not being contracts entered into in the ordinary course of business) during the period of two years immediately preceding the date of commencement of the Offer Period and are or may be material:

(a) the sale and purchase agreement dated 31 July 2009 entered into between Dance Star Group Limited, a wholly-owned subsidiary of the Company, and China Star Entertainment (BVI) Limited, a wholly-owned subsidiary of China Star Entertainment Limited (stock code: 326) in relation to the acquisition of the entire issued share capital of two artists management services company, namely China Star Management Limited and Anglo Market International Limited, at a total consideration of HK$3,137,971;

(b) the conditional sale and purchase agreement dated 8 August 2009 entered into between 北京莎瑪房地產開發有限公司 (Beijing Suoma Real Estate Development Company Limited**), a subsidiary of the Company, and 北京銀座興業房地產經紀有限公司 (Beijing Yinzuo Xingye Real Estate Agency Company Limited**) in relation to sale and purchase of the 193 residential units and the 186 car parking spaces located at No. 9 Gongyuan Xijie, Dongcheng District, Beijing, the PRC at a total consideration of RMB750 million;

(c) the sale and purchase agreement dated 8 October 2009 entered into between Brilliant Arts Multi-Media Holding Limited (stock code: 8130, now known as Zhi Cheng Holdings Limited) and Dance Star Group Limited, a wholly-owned subsidiary of the Company, relating to the acquisition of the entire issued share capital of Creative Formula Limited at a consideration of HK$8,200,418;

(d) the placing agreement dated 7 December 2009 entered into between Kingston Securities Limited and the Company in relation to the placing of 200,000,000 new shares of HK$0.01 each of the Company, on a fully underwritten basis, at a placing price of HK$0.30 per new Share;

(e) the conditional sale and purchase agreement dated 8 February 2010 entered into between the Company and Keen Modern Limited, in relation to the sale and purchase of the entire issued share capital of Mega Shell Services Limited, a wholly-owned subsidiary of the Company, and all debts, liabilities and obligations owing or incurred by Mega Shell Services Limited to the Company as at the date of completion at an aggregate consideration of approximately RMB119.57 million;

(f) the conditional sale and purchase agreement dated 9 February 2010 entered into between the Company and an independent third party in relation to an acquisition of entire issued share capital of a company principally engaged in design, management and implementation of integrated information system and advanced energy saving technology which aims for wise and modern management of the city's public services in the PRC at a total consideration of HK$1,800 million, subject to adjustment;

** *An informal English translation of its official Chinese name*

(g) the termination agreement dated 13 April 2010 entered into between the Company and the independent third party to terminate the conditional sale and purchase agreement in (f) above;

(h) the supplemental agreement dated 22 April 2010 entered into the Company and Keen Modern Limited in relation to the extension of the long stop date of the conditional sale and purchase agreement in (e) above to 31 May 2010;

(i) the conditional sale and purchase agreement dated 16 July 2010 entered into between Premium Dignity Investments Limited, a wholly-owned subsidiary of the Company, Mr. Ko Wing Hong and Mr. Yuen Po Cheung, in relation to the acquisition of the entire issued share capital of Infrared Engineering & Consultants Limited and all of debts, liabilities and obligations owing or incurred by Infrared Engineering & Consultants Limited to the vendors as at the date of completion at an aggregate consideration of approximately HK$14.50 million;

(j) the conditional sale and purchase agreement dated 16 November 2010 entered into between the Company and Media China Corporation Limited (stock code: 419) in relation to the acquisition of the entire issued share capital of Sinofocus Media (Holdings) Limited at a total consideration of HK$82,000,000;

(k) the joint venture agreement dated 8 December 2010 entered into between the Company, China Star Entertainment (BVI) Limited and China Star Film Group Limited in relation to formation of a joint venture company, namely China Star Film Group Limited, to be owned as to 50% by the Company and as to 50% by China Star Entertainment (BVI) Limited. Pursuant to the joint venture, each of the Company and China Star Entertainment (BVI) Limited shall contribute HK$30 million to the joint venture company as capital;

(l) the conditional sale and purchase agreement dated 13 December 2010 entered into between the Company and Chung Chiu (PTC) Limited in relation to disposal of 19% of the issued share capital of Amazing Goal International Limited and sales debts to the Company at a consideration of HK$1;

(m) the placing agreement dated 16 December 2010 entered into between Mansion House Securities (F.E) Limited and the Company in relation to the placing of 84,000,000 new shares of HK$0.01 each of the Company, on a fully underwritten basis, at a placing price of HK$0.255 per new Share; and

(n) the termination agreement dated 15 April 2011 entered into between the Company and the independent third party to terminate the conditional sale and purchase agreement in (j) above.

Save as disclosed above, there are no other contracts, not being contracts entered into in the ordinary course of business of the Group, having been entered into by the Group after the date two years before the commencement of the Offer Period.

10. LITIGATION

As at the Latest Practicable Date, save for disclosed below, no member of the Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known by the Directors to be pending or threatened against any member of the Group.

Pending litigation

On 30 May 2011, China Star Management Limited (**"CSM"**), an indirect wholly-owned subsidiary of the Company, issued a writ of summons against Tang's Workshop Limited (**"Tang's Workshop"**).

CSM claimed to recover the services rendered or work done and material supplied to Tang's Workshop for the sum of HK$127,500. At the Latest Practicable Date, final judgement of this court proceedings has not yet been granted.

11. EXPERT AND CONSENT

The following is the qualification of the experts who have given opinion or advice which are contained in this Composite Document:

Nuada Limited	a licensed corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Goldin Financial Limited	a licensed corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

Each of Nuada Limited and Goldin Financial Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of Nuada Limited and Goldin Financial Limited had any direct or indirect interest in any asset which had been, since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Company or are proposed to be acquired or disposed of by or leased to any member of the Group.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal office and place of business of the Company in Hong Kong at Unit 3407, 34/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong; (ii) on the website of the Securities and Futures Commission (www.sfc.hk); and (iii) the Company's website at www.golife.com.hk from the date of this Composite Document up to and including the Closing Date:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 December 2009 and 2010 and the interim report of the Company for the six months ended 30 June 2011;

(c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the CLN Holders and the Option Holders, the text of which is set out on pages 26 to 27 of this Composite Document;

(d) the letter of advice from Goldin Financial Limited to the Independent Board Committee, the text of which is set out on pages 28 to 43 of this composite document;

(e) the written consent referred to in the section headed ''Expert and consent'' in this appendix; and

(f) the material contracts referred to in the section headed ''Material contracts'' in this appendix.

13. MISCELLANEOUS

(a) The registered address of Nuada Limited is 17th Floor, BLINK, 111 Bonham Strand, Sheung Wan, Hong Kong.

(b) The registered address of Goldin Financial Limited is 23/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(c) This Composite Document has been prepared in both English and Chinese languages. In case of any inconsistency, the English text of this document shall prevail over the Chinese text.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the GEM Listing Rules and the Takeovers Code for the purpose of providing information to the Independent Shareholders and the CLN Holders and the Option Holders with regard to the Offeror and the Offers.

The information contained in this Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 January 2011	0.335
28 February 2011	0.29
31 March 2011	0.26
29 April 2011	0.29
31 May 2011	0.245
30 June 2011 (Last business day immediately preceding the date of the Initial Announcement)	0.25
12 July 2011 (Last Trading Day)	0.23
29 July 2011	0.244
15 August 2011 (being the Latest Practicable Date)	0.235

The highest and lowest closing prices of the Shares during the Relevant Period were HK$0.35 per Share on 6 April 2011 and HK$0.202 per Share on 24 and 25 March 2011.

3. DISCLOSURE OF INTERESTS OF THE OFFEROR AND ITS DIRECTORS

The Offeror is an indirect wholly-owned subsidiary of Century City. Mr. Lo Yuk Sui, through companies wholly owned or controlled by him, holds approximately 56.4% of the issued share capital of Century City. As at the Latest Practicable Date, the executive directors of Century City were Mr. Lo Yuk Sui, Mr. Kenneth Ng Kwai Kai, Mr. Donald Fan Tung, Mr. Kelvin Leung So Po, Mr. Jimmy Lo Chun To and Miss Lo Po Man, and the independent non-executive directors of Century City were Mr. Anthony Chuang, Mr. Ng Siu Chan and Mr. Wong Chi Keung.

Save for the purchase of 151,000,000 Shares on the Stock Exchange on 29 and 30 June 2011 at the highest price of HK$0.25 per Share, none of the Offeror, Century City and parties acting in concert with any of them had any other interest in any Shares or convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date. Save for the acquisition of 151,000,000 Shares by Aikford Financial Services Limited, a wholly-owned subsidiary of Century City, on the Stock Exchange on 29 and 30 June 2011 at the highest price of HK$0.25 per Share, the Offeror, Century City and parties acting in concert with any of them have not dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

4. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY AND ARRANGEMENTS IN RELATION TO DEALINGS

(a) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror, Century City or any person acting in concert with any of them and any other person.

(b) As at the Latest Practicable Date, no person had irrevocably committed himself to accept or not to accept the Offers.

(c) As at the Latest Practicable Date, no Shares or convertible securities, warrants, options or derivatives of the Company was owned or controlled by a person with whom the Offeror, Century City or any person acting in concert with any of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(d) During the Relevant Period, neither the Offeror, Century City nor any parties acting in concert with any of them has borrowed or lent any Shares or convertible securities, warrants, options or derivatives of the Company.

(e) As at the Latest Practicable Date, save for the acquisition of the 151,000,000 Shares by Aikford Financial Services Limited, a wholly-owned subsidiary of Century City, on the Stock Exchange on 29 and 30 June 2011 at the highest price of HK$0.25 per Share, none of the directors of the Offeror and any persons acting in concert with the Offeror was interested in, owned or controlled any Shares or convertible securities, warrants, options or derivatives of the Company, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

5. MISCELLANEOUS

As at the Latest Practicable Date,

(a) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror, Century City or any person acting in concert with any of them and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependent upon the Offers;

(b) no material contracts had been entered into by the Offeror in which any Director has a material personal interest;

(c) there was no agreement or arrangement to which the Offeror or Century City is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers;

(d) there is no agreement, arrangement or understanding that the securities acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons; and

(e) no benefit had been or would be given by the Offeror to any Directors as compensation for loss of office or otherwise in connection with the Offers.

6. EXPERT AND CONSENT

The following is the qualification of the expert whose letter/opinion is contained in this Composite Document:

Name	Qualification
Investec Capital Asia Limited	a licensed corporation under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities and the financial adviser to the Offeror in respect of the Offers

Investec has given and has not withdrawn its written consent to the issue of this Composite Document with copy of its letter and the references to its name included herein in the form and context in which they are respectively included.

7. GENERAL

(a) The registered office of the Offeror is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. As at the Latest Practicable Date, the entire issued share capital of the Offeror was indirectly held by Century City. The head office and principal place of business of Century City in Hong Kong is situated at, and the correspondence address of the Offeror in Hong Kong is, 11/F, 68 Yee Wo Street, Causeway Bay, Hong Kong.

(b) The registered office of Investec is at Room 3609, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(c) The English texts of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese texts in the case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Unit 3407, 34/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong; (ii) on the website of the Securities and Futures Commission (www.sfc.hk); and (iii) the Company's website at http://www.golife.com.hk during the period from the date of this Composite Document onwards for as long as the Offers remain open for acceptance:

(a) the memorandum and articles of association of the Offeror;

(b) the letter from Investec as set out on pages 6 to 15 of this Composite Document; and

(c) the written consent referred to in the paragraph headed "Expert and consent" in this appendix.