



KH INVESTMENT HOLDINGS LIMITED

嘉匯投資控股有限公司*

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

(Stock Code: 8172)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2012

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

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

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

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This announcement, for which the directors (the “Directors”) of KH Investment Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

* for identification purpose only

UNAUDITED QUARTERLY RESULTS

The board (the “Board”) of Directors of KH Investment Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2012, together with the comparative unaudited figures for 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 31 March	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	6,055	9,430
Cost of sales		<u>(4,820)</u>	<u>(7,375)</u>
Gross Profit		1,235	2,055
Other revenue and income	4	64	23
Administrative expenses		(4,137)	(4,187)
Finance costs	5	<u>(163)</u>	<u>(144)</u>
Loss before tax	6	(3,001)	(2,253)
Tax	7	<u>—</u>	<u>—</u>
Loss for the period attributable to owners of the Company		<u><u>(3,001)</u></u>	<u><u>(2,253)</u></u>
Loss per share	8		
— Basic and diluted		<u><u>HK(0.59) cent</u></u>	<u><u>HK(0.45) cent</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2012	2011
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Loss for the period	(3,001)	(2,253)
Other comprehensive income	—	—
Total comprehensive loss for the period	<u>(3,001)</u>	<u>(2,253)</u>
Total comprehensive loss attributable to owners of the Company	<u>(3,001)</u>	<u>(2,253)</u>

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 Rooms 2506-09, 25/F., China Resources Building, No. 26 Harbour Road, Wanchai, 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 income statements and unaudited condensed consolidated statement of comprehensive income (the "Unaudited Consolidated Results") 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 Instituted of Certified Public Accountants ("HKICPA"). In addition, the Unaudited Consolidated Results 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 Consolidated Results 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 Consolidated Results 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 Consolidated Results are consistent with those adopted in annual financial statements for the year ended 31 December 2011.

All significant transactions and balances 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 year 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. Turnover

	For the three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Artist management	6,055	9,253
Infrared consultancy services	—	177
Film distribution	—	—
	<u>6,055</u>	<u>9,430</u>

4. Other revenue and income

	For the three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Bank interest income	4	17
Sundry Income	60	6
	<u>64</u>	<u>23</u>

5. Finance costs

	For the three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Effective interest expenses on convertible loan notes	163	143
Interest on bank loans and overdraft wholly repayable within five years	—	1
	<u>163</u>	<u>144</u>

6. Loss before tax

	For the three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	29	16
Minimum lease payments under operating leases on land and buildings	186	54
Staff costs (including directors' remuneration)		
Salaries and allowance	1,532	752
Equity-settled share option expenses	—	2,409
	<u> </u>	<u> </u>

7. Tax

No provision of 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 (2011: Nil).

8. Loss per share

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company for the three months ended 31 March 2012 of approximately HK\$3.0 million (2011: loss for the period attributable to owners of the Company of approximately HK\$2.2 million) and the weighted average of 505,649,726 shares in issue during the three months ended 31 March 2012 (2011: 505,649,726 shares).

As the convertible loan notes and share options, where applicable, outstanding during the reporting periods had an anti-dilutive effect on the basic loss per share, the conversion of the above potential dilutive shares was not assumed in the calculation of the diluted loss per share in both reporting periods. Accordingly, the basic and diluted loss per share for the three months period ended 31 March 2012 and 2011 are the same.

9. Reserves

	Share premium (Unaudited) <i>HK\$'000</i>	Contributed surplus (Unaudited) <i>HK\$'000</i>	Convertible loan notes reserve (Unaudited) <i>HK\$'000</i>	Share-based payments reserve (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 January 2011	47,383	28,294	2,381	1,367	31,217	110,642
Net loss for the period	—	—	—	—	(2,253)	(2,253)
Other comprehensive loss for the period	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	(2,253)	(2,253)
Recognition of equity- settled share-based payments	—	—	—	2,409	—	2,409
At 31 March 2011	<u>47,383</u>	<u>28,294</u>	<u>2,381</u>	<u>3,776</u>	<u>28,964</u>	<u>110,798</u>
At 1 January 2012	47,383	28,294	2,381	—	14,742	92,800
Net loss for the period	—	—	—	—	(3,001)	(3,001)
Other comprehensive loss for the period	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	(3,001)	(3,001)
At 31 March 2012	<u>47,383</u>	<u>28,294</u>	<u>2,381</u>	<u>—</u>	<u>11,741</u>	<u>89,799</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Artist Management

During the period under review, the revenue contributed by such segment was approximately HK\$6.1 million (2011: approximately HK\$9.2 million), representing a decrease of 33.7% as compared with the period ended 31 March 2011. The gross profit margin decreased from 22.0% in the prior year to 20.4%. The gross profit margin remains stable because the majority of the revenue was contributed by those artists with similar commission rate as compared with the period ended 31 March 2011.

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. As at 10 May 2012, being the latest practicable date for ascertaining certain information in this report, the result of the litigation has not yet been finalised.

Film Distribution and Production

During the period under review, the Group did not have any addition of film rights and no revenue was recorded in such segment (2011: Nil). The joint venture company, China Star Film Group Limited which is engaged in the production and distribution of films, have two films in their pre-production phases.

Provision of Infrared Thermal Imaging and Thermography Solutions and Consultancy Services

During the period under review, there was no revenue contributed by such segment because of the low season of that segment (2011: 0.2 million).

Financial Review

The revenue of the Group was approximately HK\$6.1 million for the three months ended 31 March 2012 (2011: approximately HK\$9.4 million), and it was generated from provision of artist management, representing a decrease of 35.1% as compared with the period ended 31 March 2011.

Administrative expenses were mainly the legal and professional fees, staff costs and other general administrative expenses of the Group incurred during the period under review.

Finance costs were mainly the effective interest expenses on the convertible loan notes (2011: approximately HK\$0.14 million).

During the period under review, loss for the period attributable to owners of the Company was approximately HK\$3.0 million (2011: loss for the period attributable to owners of the Company was approximately HK\$2.25 million).

Future Plans

New members of the Board only assumed office on 5 March 2012 and they are still planning the future developmental strategies for the Group and studying the prevalent market trends. However, regardless of the aforementioned, strengthening and development of the Group's business are their priorities and focus in order to prepare ourselves for the upcoming challenges and opportunities. Meanwhile, we will continue to identify other appropriate investment opportunities to penetrate into other business sectors. Among all which includes research on the production and distribution of microblog films, and how to develop and promote such microblog films within the sector.

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

As at 31 March 2012, the interests and short position of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules, were as follows:

Long Positions in the associated corporation

Name of associated corporation	Name of Director	Class of share held	Capacity	Number of shares held (Approximate percentage of the issued shares as at 31 March 2012)
Culture Landmark Investment Limited ("Culture Landmark")	Cheng Yang	Ordinary	Personal interest	1,786,000,000 (14.91%)
	Cheng Yang	Ordinary	Family interest	980,000 (0.00%)
	Hui Ching	Ordinary	Personal Interest	648,000 (0.00%)

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 6 March 2002. The principal terms of the Scheme have been set out in the Note 33 to the financial statements in the annual report of the Company for the year ended 31 December 2011.

There is no outstanding Share Option as at 31 March 2012 and no Share Options had been granted during the period ended 31 March 2012.

DIRECTORS’ AND CHIEF EXECUTIVE’S RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at 31 March 2012, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2012, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long position in ordinary shares of HK\$0.01 each of the Company

Name of substantial shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approximate percentage of the Company’s issued share capital
Culture Landmark	Interest of controlled corporation (Note 1)	379,006,016	12,731,006	391,737,022	77.47%
New Asia Media Development Limited (“New Asia Media”)	Beneficial owner (Note 1)	379,006,016	12,731,006	391,737,022	77.47%

Name of substantial shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approximate percentage of the Company's issued share capital
Mr. Lo Yuk Sui ("Mr. Lo")	Interest of controlled corporation <i>(Note 2)</i>	35,247,161	—	35,247,161	6.97%
Secure Way Technology Limited ("Secure Way")	Interest of controlled corporation <i>(Note 2)</i>	35,247,161	—	35,247,161	6.97%
Net Community Limited ("Net Community")	Interest of controlled corporation <i>(Note 3)</i>	35,247,161	—	35,247,161	6.97%
Century Digital Holdings Limited ("Century Digital")	Interest of controlled corporation <i>(Note 4)</i>	35,247,161	—	35,247,161	6.97%
Grand Modern Investments Limited ("Grand Modern")	Interest of controlled corporation <i>(Note 5)</i>	35,247,161	—	35,247,161	6.97%
Century City International Holdings Limited ("Century City International")	Interest of controlled corporation <i>(Note 6)</i>	35,247,161	—	35,247,161	6.97%
Century City BVI Holdings Limited ("Century City BVI")	Interest of controlled corporation <i>(Note 7)</i>	35,247,161	—	35,247,161	6.97%
Century City Holdings Limited ("Century City Holdings")	Interest of controlled corporation <i>(Note 8)</i>	35,247,161	—	35,247,161	6.97%
Aikford Financial Services Limited ("Aikford")	Beneficial owner <i>(Note 9)</i>	35,247,161	—	35,247,161	6.97%

Notes:

- (1) New Asia Media, a company which is wholly and beneficially owned by Culture Landmark and a company listed on the Main Board of the Stock Exchange, is the beneficial owner of 379,006,016 shares of the Company and zero-coupon convertible loan notes due 24 September 2013 in the principal amount of HK\$6,200,000 issued by the Company carrying the right to convert into a total of 12,731,006 shares of the Company at the prevailing conversion price of HK\$0.487 per share (subject to adjustment). The Chairman and Chief Executive Officer of the Company, Mr. Cheng Yang, is also the chairman, chief executive officer and executive director of the Culture Landmark.
- (2) Secure Way is wholly and beneficially owned by Mr. Lo Yuk Sui.
- (3) Net Community is wholly and beneficially owned by Secure Way.
- (4) Century Digital is wholly and beneficially owned by Net Community.
- (5) Grand Modern is wholly and beneficially owned by Century Digital.
- (6) Grand Modern owns 50.38% interest in Century City International, a company listed on the Main Board of the Stock Exchange.
- (7) Century City BVI is wholly and beneficially owned by Century City International.
- (8) Century City Holdings is wholly and beneficially owned by Century City BVI.
- (9) Aikford is the beneficial owner of 35,247,161 shares of the Company and is wholly and beneficially owned by Century City Holdings.

Save as disclosed above, at 31 March 2012, the Company has not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPETING INTEREST

At 31 March 2012, none of the directors, the substantial shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group.

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

During the three months ended 31 March 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with provisions set out in Appendix 15 of the Code of Corporate Governance Practices of the GEM Listing Rules for the three months ended 31 March 2012. A report on the principal corporate governance practices adopted by the Company is set out in the 2011 annual report of the Company.

a. Chairman and chief executive officer

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company have been performed by Mr. Cheng Yang, who is also an executive Director. The Board still considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and consider appointing an individual as the chief executive officer of the Company when it thinks appropriate.

b. Terms of non-executive Directors

Under the code provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. The term of office for non-executive directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this code provision.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2012, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company's Directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

AUDIT COMMITTEE

The audit committee has three members, namely Mr. Yip Tai Him (chairman of the audit committee), Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng, all being independent non-executive Directors.

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

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. The audit committee reviewed the first quarterly report for the three months ended 31 March 2012 before proposing to the Board for approval.

By Order of the Board
KH Investment Holdings Limited
Cheng Yang
Chairman

Hong Kong, 10 May 2012

As at the date of this announcement, the Board comprises Mr. Cheng Yang (Chairman and Chief Executive Officer), Mr. Kan Yisong, Ms. Hui Ching and Ms. Jiang Di as executive Directors; and Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng as independent non-executive Directors.

This announcement will be published on the GEM website on the "Latest Company Announcements" page for at least seven days from the date of its publication and on the Company's website at www.golife.com.hk.