THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Riche Multi-Media Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information, purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED ACQUISITION OF A 100% INTEREST IN THE ISSUED SHARE CAPITAL OF RICH DAILY GROUP LIMITED AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of Riche Multi-Media Holdings Limited to be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Friday, 27 June 2008 at 4:30 p.m. is set out on pages 139 to 140 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

30 May 2008

CONTENTS

Page

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

"Acquisition"	the proposed acquisition of the Sale Shares on the terms and conditions in the Share Acquisition Agreement
"Announcement"	the announcement dated 4 March 2008 issued by the Company in relation to the Acquisition
"associates"	has the same meaning ascribed to it under the Listing Rules
"Board"	board of the Directors
"Business Day"	a day (other than a Saturday and a Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Bye-laws"	the bye-laws of the Company
"Capital Reduction"	the proposed reduction of the issued Consolidated Shares by cancelling from the paid-up capital thereof to the extent of HK$0.99 of each issued Consolidated Share and reducing the nominal value of all Consolidated Shares comprising the authorised share capital of the Company from HK$1.00 each to HK$0.01 each
"Capital Reorganisation"	the proposed capital reorganisation of the Company comprising the Share Consolidation, the Capital Reduction and the Share Premium Cancellation as approved by the Shareholders on 30 April 2008
"Codes"	The Codes on Takeovers and Mergers
"Company"	Riche Multi-Media Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Share Acquisition Agreement

"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Share(s)"	consolidated ordinary share(s) of HK$1.00 each in the issued and unissued share capital of the Company immediately after the completion of the Share Consolidation
"Convertible Bond I"	a convertible bond in the principal amount of HK$72,000,000, to be issued by the Company in favour of Well Will upon Completion
"Convertible Bond II"	a convertible bond in the principal amount of HK$72,000,000, to be issued by the Company in favour of Well Will upon Completion
"Conversion Period I"	the period commencing from the date of release of the Convertible Bond I under the escrow clause of the Share Acquisition Agreement up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the maturity date
"Conversion Period II"	the period commencing from the date of release of the Convertible Bond II under the escrow clause of the Share Acquisition Agreement up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the maturity date
"Conversion Price I"	the conversion price I of HK$1.60 per Conversion Share I, subject to adjustments, pursuant to the terms of the Convertible Bond I
"Conversion Price II"	the conversion price II of HK$1.60 per Conversion Share II, subject to adjustments, pursuant to the terms of the Convertible Bond II
"Conversion Shares I"	the Shares to be allotted and issued upon the exercise of the conversion rights in respect of the Convertible Bond I
"Conversion Shares II"	the Shares to be allotted and issued upon the exercise of the conversion rights in respect of the Convertible Bond II

"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group immediately after Completion
"First Actual Services Fee"	the actual Services Fee received by Rich Daily for the First Relevant Period
"First Services Fee Guarantee"	the guarantee provided by Mr. Ng under the Share Acquisition Agreement that the Services Fee for the First Relevant Period shall not be less than HK$72,000,000
"First Relevant Period"	the period from 1 July 2008 to 30 June 2009 in respect of the First Services Fee Guarantee under the Share Acquisition Agreement
"Gaming Promoters"	gaming promoters appointed by casinos in Macau mainly responsible for procuring VIP customers to play at VIP lounges in casinos in Macau
"Grand Lisboa"	the new Lisboa hotel and casino adjacent to the Lisboa Hotel in Macau whose gaming business operates under the licence owned by Sociedade de Jogos de Macau, S.A.
"Group"	the Company and its subsidiaries
"Guarantees"	collectively, the First Services Fee Guarantee and the Second Services Fee Guarantee
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with any director, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associate

"Initial Consideration"	the initial consideration of HK$504,000,000 for the Acquisition, which is subject to adjustment in accordance with the terms of the Share Acquisition Agreement
"Instrument I"	an instrument constituting the Convertible Bond I
"Instrument II"	an instrument constituting the Convertible Bond II
"Kingsway Hotel"	the hotel building (comprising the portions being operated as a hotel under the name of Kingsway Hotel and the commercial podium having a covered floor area of about 18,165.76 sq.m.) situate at Rua De Luis Gonzaga Gomes No. 176-230, Rua De Nagasaki No. 64-A-82, Rua Xiamen No. 37-A-59, Macau
"Latest Practicable Date"	26 May 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	Macau Special Administrative Region of the PRC
"Mr. Ng"	Mr. Ng Cheuk Fai, an Independent Third Party
"Ocho"	Ocho Sociedade Unipessoal Limitada, a company incorporated in Macau and is wholly owned by Mr. Ng, an Independent Third Party
"Ocho Services Agreement"	the services agreement entered into between Ocho and Rich Daily on 28 February 2008 in relation to the provision of Services by Rich Daily to Ocho
"Old Share(s)"	ordinary share(s) of HK$0.10 each in the issued and unissued share capital of the Company prior to the completion of the Capital Reorganisation
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau and Taiwan

"Rich Daily"	Rich Daily Group Limited, a company incorporated in the British Virgin Islands and wholly owned by Well Will
"Riche (BVI)"	Riche (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, the purchaser under the Share Acquisition Agreement
"Rolling Turnover"	the value of all non-negotiable chips purchased by the Gaming Promoter on behalf of its VIP customers less the value of non-negotiable chips redeemed by the Gaming Promoter on behalf of its VIP customers
"Sale Shares"	100 ordinary shares of US$1.00 each, being 100% of the issued share capital of Rich Daily
"Second Actual Services Fee"	the actual Services Fee received by Rich Daily for the Second Relevant Period
"Second Relevant Period"	the period from 1 July 2009 to 30 June 2010 in respect of the Second Services Fee Guarantee under the Share Acquisition Agreement
"Second Services Fee Guarantee"	the guarantee provided by Mr. Ng under the Share Acquisition Agreement that the Services Fee for the Second Relevant Period shall not be less than HK$72,000,000
"Services Fee"	the fee received by Rich Daily derived from its provision of Services to Gaming Promoters
"Services"	the provision of management services to the Concierge Departments of the Gaming Promoters, which for the avoidance of doubt does not include the solicitation of VIP customers for the Gaming Promoters
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder

"Share Acquisition Agreement"	the conditional sale and purchase agreement dated 28 February 2008 entered into among Riche (BVI) as a purchaser, Well Will as a vendor and warrantor and Mr. Ng as a warrantor relating to the sale and purchase of the Sale Shares
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Premium Cancellation"	the proposed cancellation of the entire amount of HK$813,058,000 standing to the credit of the share premium account of the Company as at 31 December 2007
"Share Options"	share options granted by the Company under the share option scheme of the Company
"Share Consolidation"	the proposed consolidation of every ten (10) Old Shares into one (1) Consolidated Share
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Well Will"	Well Will Investment Limited, an investment holding company incorporated in the British Virgin Islands and wholly owned by Mr. Ng, an Independent Third Party
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"MOP"	Patacas, the lawful currency of Macau
"US$"	United States of America dollars
"%"	per cent.

RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

Executive Directors:
Mr. Heung Wah Keung
Ms. Chen Ming Yin, Tiffany

Independent non-executive Directors:
Mr. Tang Chak Lam, Gilbert
Mr. Ho Wai Chi, Paul
Mr. Lien Wai Hung

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

Head office and principal place of business in Hong Kong:
Unit 3408, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

30 May 2008

To the Shareholders and, for information only, the holders of the Share Options

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
IN RELATION TO
THE PROPOSED ACQUISITION OF A 100% INTEREST
IN THE ISSUED SHARE CAPITAL OF
RICH DAILY GROUP LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 4 March 2008, the Board announced that on 28 February 2008 (after trading hours), the Share Acquisition Agreement was entered into between Well Will, Mr. Ng and Riche (BVI), pursuant to which Riche (BVI) would acquire a 100% equity interest in Rich Daily. The

Initial Consideration for the Acquisition of HK$504,000,000 (subject to adjustment) shall be satisfied by Riche (BVI) (i) paying a refundable deposit in a sum of HK$200,000,000 on the date of the Share Acquisition Agreement and HK$80,000,000 upon despatch of the circular to Shareholders relating to, inter alia, the Share Acquisition Agreement; (ii) paying HK$80,000,000 in cash upon Completion; and (iii) procuring the Company to issue Convertible Bond I in a principal amount of HK$72,000,000 and Convertible Bond II in a principal amount of HK$72,000,000 to Well Will upon Completion.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to Shareholders' approval pursuant to Rule 14.49 of the Listing Rules. As no Shareholder has a material interest in the Acquisition which is different from the other Shareholders, no Shareholder is required to abstain from voting at the SGM.

The purpose of this circular is (i) to provide further information in respect of the Acquisition, and (ii) to give you a notice of the SGM at which resolutions will be proposed to consider and if thought fit, approve, inter alia, the Share Acquisition Agreement and the Acquisition.

THE SHARE ACQUISITION AGREEMENT

Date: 28 February 2008 (after trading hours)

Parties:

Purchaser: Riche (BVI), a wholly-owned subsidiary of the Company

Vendor: Well Will

Warrantors: Well Will and Mr. Ng

Well Will is an investment holding company wholly-owned by Mr. Ng. Well Will holds the entire issued share capital of Rich Daily which provides management services to the Concierge Department of Ocho and it does not carry out any casino or gaming promotion activities in either Hong Kong or Macau. Therefore, the business activities of Rich Daily will not constitute unlawful activities under the laws of Hong Kong and Macau.

Well Will and its ultimate beneficial owner, Mr. Ng, are Independent Third Parties. Mr. Ng had been an employee of the Group between 1 July 2000 and 1 May 2003. He served the Group at that time as a production assistant. He has no relationship with any of the Directors.

Assets to be acquired

Pursuant to the Share Acquisition Agreement, Riche (BVI) has agreed to acquire and Well Will has agreed to sell and Mr. Ng has agreed to use his best endeavours to procure Well Will to sell, as a legal and beneficial owner, the Sale Shares, being 100 ordinary shares of US$1.00 each in the share capital of Rich Daily, representing 100% of the issued share capital of Rich Daily, free from any option, charge, lien, equity, encumbrance, rights of pre-emption or any other third party rights whatsoever and together with all rights attached to them at the date of Completion or subsequently becoming attached to them.

Rich Daily is a company that provides Services to Ocho pursuant to the Ocho Services Agreement.

Consideration

The Initial Consideration for the Acquisition is HK$504,000,000 (subject to adjustment as detailed in the subsection herein headed “First Services Fee Guarantee and Adjustment to Initial Consideration”) and shall be settled by Riche (BVI) in the following manners:

(a) paying a refundable deposit to Well Will in a sum of HK$200,000,000 on the date of the Share Acquisition Agreement and HK$80,000,000 upon despatch of the circular to Shareholders relating to, inter alia, the Share Acquisition Agreement; and paying HK$80,000,000 in cash upon Completion;

(b) procuring the Company to issue the Convertible Bond I in a principal amount of HK$72,000,000 to Well Will upon Completion; and

(c) procuring the Company to issue the Convertible Bond II in a principal amount of HK$72,000,000 to Well Will upon Completion.

The deposits are from the Group’s internal resources. The deposits in aggregate of HK$280,000,000 shall immediately be returned to Riche (BVI) (without interest) in the event of non-completion of the Share Acquisition Agreement for whatever reason. No collateral is taken from Well Will with respect to the placing of the deposits by Riche (BVI). There has been no events which have been triggered to cause a return of the deposits.

If the conditions set out in the section headed “Conditions precedent” below have not been satisfied on or before 31 August 2008, or such later date as Well Will, Mr. Ng and Riche (BVI) may agree (the “**Long Stop Date**”) or following the fulfillment of the conditions set out in the section headed “Conditions precedent”, Well Will or Riche (BVI) shall fail to complete the sale and purchase of the Sale Shares in accordance with the terms and conditions in the Share Acquisition Agreement, Well Will shall return to Riche (BVI), without interest, all the moneys already paid as deposits to Well Will by Riche (BVI) under the Share Acquisition

Agreement within seven days from the Long Stop Date or from the date when Well Will or Riche (BVI) fails to complete the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Share Acquisition Agreement.

The Initial Consideration is determined after arm's length negotiation between Riche (BVI) and Well Will after considering the Guarantees and the corresponding price earning multiple of 7 times based on the yearly average of the Guarantees, the two additional services agreements expected to be procured by Mr. Ng, the continuous economic boom in Macau and the prospects of Macau's gaming business. The Directors (including the independent non-executive Directors) believe that the Initial Consideration for the Acquisition is fair and reasonable as there are the Guarantees of HK$144,000,000 over the period from 1 July 2008 to 30 June 2010 and the fact that the Services provided by Rich Daily to Ocho under the Ocho Services Agreement is for an indefinite period of time.

Guarantees

Pursuant to the Share Acquisition Agreement, Mr. Ng, who owns the entire issued share capital of Rich Daily through Well Will, has irrevocably and unconditionally guaranteed to Riche (BVI) that the First Services Fee Guarantee and the Second Services Fee Guarantee shall not be less than HK$72,000,000 and HK$72,000,000 respectively.

First Services Fee Guarantee and adjustment to Initial Consideration

In the event that the First Services Fee Guarantee is not achieved, the Initial Consideration shall be adjusted by the formula as follows:

Adjustment = (First Services Fee Guarantee – First Actual Services Fee) x 7

Where the Adjustment is the amount to be adjusted to the Initial Consideration (subject to a maximum of HK$504,000,000).

The Adjustment shall be initially deducted from the Convertible Bond I on a dollar for dollar basis. In the event that the Convertible Bond I is insufficient to settle the Adjustment, Mr. Ng has undertaken to pay to Riche (BVI) the balance in cash within 15 Business Days after receipt of notice of non-attainment of the First Services Fee Guarantee.

Second Services Fee Guarantee

In the event the Second Services Fee Guarantee is not achieved, Mr. Ng has undertaken to pay to Riche (BVI) the shortfall between the Second Services Fee Guarantee and the Second Actual Services Fee within 60 days after the Second Relevant Period.

The Guarantees are determined with reference to the expected Services Fee to be received by Rich Daily with the Ocho Services Agreement and two additional services agreements (on terms no less favourable than the Ocho Services Agreement) to be procured by Mr. Ng during the First Relevant Period. Those two services agreements have not been entered into nor negotiated but the terms are expected to be similar to those of the Ocho Services Agreement. No additional consideration will be payable by Riche (BVI) for the additional services agreements to be entered into by Rich Daily with such other Gaming Promoters. As at the Latest Practicable Date, no additional services agreement has been entered into by Rich Daily with any Gaming Promoter.

There are no adjustments to the Initial Consideration if the First Services Fee Guarantee and/or Second Services Fee Guarantee is exceeded.

The Guarantees are given irrespective of the number of services agreements to be entered into by Rich Daily during the First Relevant Period or the Second Relevant Period.

Escrow of Convertible Bond I and Convertible Bond II

To protect the interests of Riche (BVI), Well Will has undertaken that:

(1) Convertible Bond I in a principal sum of HK$72,000,000 will be held in escrow by the Company's legal advisers until the end of the First Relevant Period, after setting off the Adjustment (if applicable);

(2) Convertible Bond II in a principal sum of HK$72,000,000 will be held in escrow by the Company's legal advisers until the end of the Second Relevant Period, provided the Second Services Fee Guarantee is fully received by Rich Daily;

(3) in the event that Mr. Ng fails to pay, in whole or in part, any shortfall between the Second Services Fee Guarantee and the Second Actual Services Fee within 60 days after the Second Relevant Period, the Company can at any time following the failure to pay by Mr. Ng to deduct the shortfall on a dollar for dollar basis from the Convertible Bond II; and

(4) if the junket license of Ocho is cancelled, revoked, terminated, or is not renewed, or amended in a material and adverse manner to Ocho by the relevant authorities in Macau at any time before the maturity date of the Convertible Bond I and Convertible Bond II, Well Will shall return the then outstanding Convertible Bond I and Convertible Bond II to the Company and the Company shall not be obliged to pay any outstanding sum under the then outstanding Convertible Bond I and Convertible Bond II.

Conditions precedent

Completion is subject to the following conditions having been fulfilled:

(a) Riche (BVI) being in its reasonable discretion satisfied with the results of the due diligence investigation in respect of Rich Daily including but not limited to the affairs, business, assets, results, legal and financing structure of Rich Daily (in particular, the Ocho Services Agreement);

(b) Riche (BVI) having received to its reasonable satisfaction a Macanese legal opinion on the legality and validity of the Ocho Services Agreement and the transactions contemplated thereunder;

(c) no event having occurred since the date of the Share Acquisition Agreement to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of Rich Daily and such material adverse effect shall not have been occurred;

(d) the warranties given by Well Will and Mr. Ng remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Share Acquisition Agreement and Completion;

(e) the passing by the Shareholders at the SGM to be convened and held of an ordinary resolution to approve the Share Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bond I and Convertible Bond II;

(f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares I and Conversion Shares II; and

(g) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Conversion Shares I and Conversion Shares II.

No condition is waivable under the Share Acquisition Agreement.

As at the Latest Practicable Date, only condition (b) has been fulfilled.

Completion

Completion shall take place at 11:00 a.m. on the second Business Day after the last of the conditions of the Share Acquisition Agreement having been fulfilled or at such other time as may be agreed between Well Will, Mr. Ng and Riche (BVI).

The Company will issue the Convertible Bond I and Convertible Bond II to Well Will (to be held in escrow) upon Completion. Upon Completion, Rich Daily will be accounted for as a subsidiary of the Company and its financial results will be consolidated into the Group's financial statements.

Long Stop Date

The Share Acquisition Agreement provides that should the satisfaction of all the above conditions not occur on or before 31 August 2008 or such other date as the parties thereto may agree, the Share Acquisition Agreement shall terminate.

TERMS OF CONVERTIBLE BOND I

The terms of the Convertible Bond I have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK$72,000,000

Interest

The Convertible Bond I will carry interest at the rate of 5% per annum, payable quarterly in arrears.

Maturity

A fixed term of ten years from the date of issue of the Convertible Bond I. Unless previously redeemed, converted or cancelled in accordance with the Instrument I, the Company shall redeem the outstanding principal amount of the Convertible Bond I, on the maturity date.

Conversion

The bondholder may at any time during the Conversion Period I convert the whole or part (in multiples of HK$1,000,000) of the principal amount of the Convertible Bond I into new Shares at the Conversion Price I.

Subject to the conditions provided in the Instrument I, the Company may at any time during the Conversion Period I by at least seven days' prior notice in writing request the bondholder to convert certain amount of the Convertible Bond I as specified therein and the bondholder shall convert such amount of the Convertible Bond I registered its names into Shares as so requested by the Company.

Under the terms of the Convertible Bond I, the bondholder cannot convert the Convertible Bond I or part thereof (and the Company shall not be obliged to allot and issue any Conversion Shares I) if upon the exercise of the conversion rights under the Convertible Bond I, the bondholder and parties acting in concert with it, shall be interested in 20% of the voting rights or more of the then enlarged issued share capital of the Company at the date of the relevant exercise.

Conversion Price I

Pursuant to the Share Acquisition Agreement, the initial conversion price for the Convertible Bond I was HK$0.16 per Old Share. Given the Capital Reorganisation, the Conversion Price I is adjusted to HK$1.60 per Share.

The Conversion Price I is HK$1.60 per Conversion Share I, subject to adjustments. The adjustments are subject to review by the Company's auditors.

The adjustments for Conversion Price I include the followings:

(i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;

(iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);

(v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities;

(vi) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue; and

(vii) an issue of Shares for the acquisition of assets at a total effective consideration per Share which is less than 80% of the market price of the date of the announcement of the terms of such issue.

The Conversion Price I represents (i) a premium of approximately 3.23% over the closing price of HK$1.55 per Share as quoted on the Stock Exchange on 28 February 2008, being the trading day immediately prior to the issue of the Announcement; (ii) a premium of approximately 7.38% over the average of the closing prices of approximately HK$1.49 per Share as quoted on the Stock Exchange for the last five trading days up to and including 28 February 2008, being the trading day immediately prior to the issue of the Announcement; (iii) a premium of approximately 5.33% over the average of the closing prices of HK$1.519 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 28 February 2008, being the trading day immediately prior to the issue of the Announcement; (iv) a premium of 60% over the closing price of HK$1.00 per Shares as quoted on the Stock Exchange as at the Latest Practicable Date; and (v) a discount of approximately 70.15% to the net asset value per Share of HK$5.36 based on the audited consolidated accounts of the Group as at 31 December 2007.

Conversion Shares I

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bond I in the aggregate principal amount of HK$72,000,000 at the Conversion Price I by the bondholder, the Company will allot and issue an aggregate of 45,000,000 new Shares, which is the maximum number of Shares to be allotted and issued, representing approximately 23.05% of the existing issued share capital of the Company.

The Conversion Shares I will be allotted and issued pursuant to the specific mandate to be sought at the SGM.

Redemption and early redemption

The Company may at any time before the maturity date, by serving at least seven days' prior written notice on the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the Convertible Bond I.

Any amount of the Convertible Bond I which remains outstanding on the maturity date shall be redeemed at its then outstanding principal amount, inclusive of interests as accrued under the terms of the Instrument I.

Ranking

The Conversion Shares I when allotted and issued, will rank pari passu in all respects with all Shares in issue on the date of allotment and issue of such Conversion Shares I.

Status of the Convertible Bond I

The Convertible Bond I constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Transferability

The holder of Convertible Bond I may only assign or transfer the Convertible Bond I to the transferee subject to the consent of the Company.

The Company will notify the Stock Exchange if any of Convertible Bond I is transferred to a Connected Person of the Company.

Voting rights

The Convertible Bond I does not confer any voting rights at any meetings of the Company.

Cancellation of the Convertible Bond I or deduction from the outstanding sum

The Company has right to cancel the Convertible Bond I or deduct any amount from the outstanding sum under the Convertible Bond I in accordance with the terms of the Share Acquisition Agreement.

Application for listing

No application will be made by the Company for the listing of the Convertible Bond I. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares I.

TERMS OF CONVERTIBLE BOND II

The terms of the Convertible Bond II have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK$72,000,000

Interest

The Convertible Bond II will carry interest at the rate of 5% per annum, payable quarterly in arrears.

Maturity

A fixed term of ten years from the date of issue of the Convertible Bond II. Unless previously redeemed, converted or cancelled in accordance with the Instrument II, the Company shall redeem the outstanding principal amount of the Convertible Bond II, on the maturity date.

Conversion

The bondholder may at any time during the Conversion Period II convert the whole or part (in multiples of HK$1,000,000) of the principal amount of the Convertible Bond II into new Shares at the Conversion Price II.

Subject to the conditions provided in the Instrument II, the Company may at any time during the Conversion Period II by at least seven days' prior notice in writing request the bondholder to convert certain amount of the Convertible Bond II as specified therein and the bondholder shall convert such amount of the respective Convertible Bond II registered its names into Shares as so requested by the Company.

Under the terms of the Convertible Bond II, the bondholder cannot convert the Convertible Bond II or part thereof (and the Company shall not be obliged to allot and issue any Conversion Shares II) if upon the exercise of the conversion rights under the Convertible Bond II, the bondholder and parties acting in concert with it, shall be interested in 20% of the voting rights or more of the then enlarged issued share capital of the Company at the date of the relevant exercise.

Conversion Price II

Pursuant to the Share Acquisition Agreement, the initial conversion price for the Convertible Bond II was HK$0.16 per Old Share. Given the Capital Reorganisation, the Conversion Price II is adjusted to HK$1.60 per Share.

The Conversion Price II is HK$1.60 per Conversion Share II, subject to adjustments. The adjustments are subject to review by the Company's auditors.

The adjustments for Conversion Price II include the followings:

(i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;

(iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);

(v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities;

(vi) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue; and

(vii) an issue of Shares for the acquisition of assets at a total effective consideration per Share which is less than 80% of the market price of the date of the announcement of the terms of such issue.

The Conversion Price II represents (i) a premium of approximately 3.23% over the closing price of HK$1.55 per Share as quoted on the Stock Exchange on 28 February 2008, being the trading day immediately prior to the issue of the Announcement; (ii) a premium of approximately 7.38% over the average of the closing prices of approximately HK$1.49 per Share as quoted on the Stock Exchange for the last five trading days up to and including 28

February 2008, being the trading day immediately prior to the issue of the Announcement; (iii) a premium of approximately 5.33% over the average of the closing prices of HK$1.519 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 28 February 2008, being the trading day immediately prior to the issue of the Announcement; (iv) a premium of 60% over the closing price of HK$1.00 as per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and (v) a discount of approximately 70.15% to the net asset value per Share of HK$5.36 based on the audited consolidated accounts of the Group as at 31 December 2007.

Conversion Shares II

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bond II in the aggregate principal amount of HK$72,000,000 at the Conversion Price II by the bondholder, the Company will allot and issue an aggregate of 45,000,000 new Shares, which is the maximum number of Shares to be issued, representing approximately 23.05% of the existing issued share capital of the Company.

The Conversion Shares II will be issued pursuant to the specific mandate to be sought at the SGM.

Redemption and early redemption

The Company may at any time before the maturity date, by serving at least seven days' prior written notice on the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the Convertible Bond II.

Any amount of the Convertible Bond II which remains outstanding on the maturity date shall be redeemed at its then outstanding principal amount, inclusive of interests as accrued under the terms of the Instrument II.

Ranking

The Conversion Shares II when allotted and issued, will rank pari passu in all respects with all Shares in issue on the date of allotment and issue of such Conversion Shares II.

Status of the Convertible Bond II

The Convertible Bond II constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Transferability

The bondholder of Convertible Bond II may only assign or transfer the Convertible Bond II to the transferee subject to the consent of the Company.

The Company will notify the Stock Exchange if any of Convertible Bond II is transferred to a Connected Person of the Company.

Voting rights

The Convertible Bond II does not confer any voting rights at any meetings of the Company.

Cancellation of the Convertible Bond II or deduction from the outstanding sum

The Company has the right to cancel the Convertible Bond II or deduct any amount from the outstanding sum under the Convertible Bond II in accordance with the terms of the Share Acquisition Agreement.

Application for listing

No application will be made by the Company for the listing of the Convertible Bond II. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares II.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (1) before Completion; (2) assuming full conversion of Convertible Bond I but before Convertible Bond II and (3) assuming full conversion of Convertible Bond I and Convertible Bond II:

	As at the Latest Practicable Date		Assuming full conversion of Convertible Bond I but before Convertible Bond II		Assuming full conversion of Convertible Bond I and Convertible Bond II		Assuming full conversion of Convertible Bond I and Convertible Bond II and Well Will is restricted to be interested in less than 20% of the issued share capital of the Company	
	Shares	*%*	*Shares*	*%*	*Shares* *(Note 1)*	*%*	*Shares*	*%*
Classical Statue Limited *(Note 2)*	58,360,612	29.90	58,360,612	24.29	58,360,612	20.46	58,360,612	23.92
Well Will	0	0.00	45,000,000	18.74	90,000,000	31.56	48,766,005	19.99
Public Shareholders	136,826,385	70.10	136,826,385	56.97	136,826,385	47.98	136,826,385	56.09
	195,186,997	100.00	240,186,997	100.00	285,186,997	100.00	243,953,002	100.00

Note (1): This is for illustration only. Well Will is restricted to be interested in less than 20% of the issued share capital of the Company. Well Will and its concert parties will not directly or indirectly hold 30% or more of the voting capital of the Company on Completion.

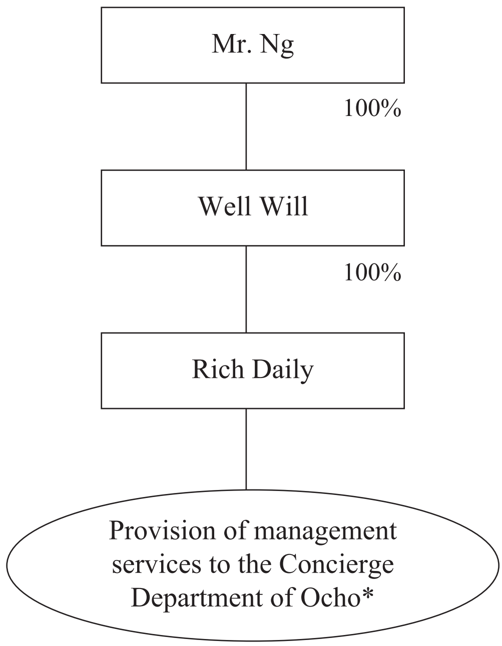
Note (2): Classical Statue Limited is a wholly-owned subsidiary of China Star (BVI) Limited, a wholly-owned subsidiary of China Star Entertainment Limited.

As at the Latest Practicable Date, other than the 365,441,287 Share Options which have been granted but not exercised, the Company has no outstanding convertible securities or options granted by the Company.

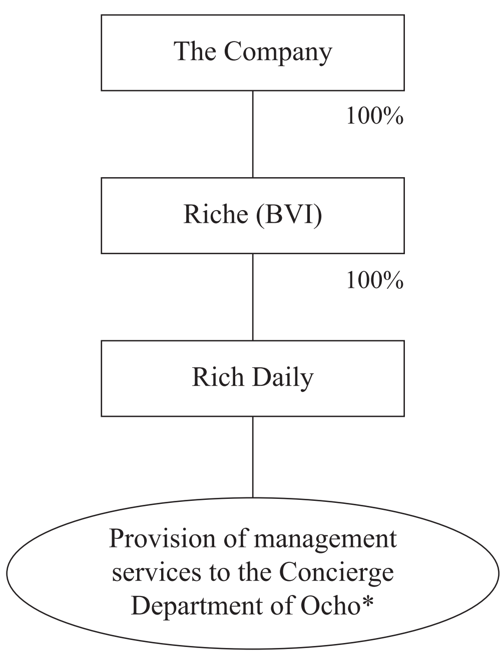
As at the Latest Practicable Date, the authorised share capital of the Company is HK$6,000,000, divided into 600,000,000 Shares and the issued and paid-up share capital of the Company is HK$1,951,869.97, divided into 195,186,997 Shares.

CHANGE OF SHAREHOLDING STRUCTURE OF RELEVANT ENTITIES

The diagram below shows the shareholdings structure of the relevant entities immediately before Completion:



The diagram below shows the shareholdings structure of the relevant entities immediately after Completion:



* *The Concierge Department of Ocho provides transportation, bookings, coordination, logistics and entertainment services to its guests.*

INFORMATION ON RICH DAILY

Rich Daily was incorporated on 18 January 2008 and is a management services provider. The major asset of Rich Daily is the Ocho Services Agreement.

On 28 February 2008, Rich Daily entered into the Ocho Services Agreement with Ocho, which is a licensed Gaming Promoter in Macau under Administrative Regulation n. º6/2002 whose business is the promotion of gaming to players to VIP lounges in the Grand Lisboa in Macau. Pursuant to the Ocho Services Agreement, Ocho has appointed Rich Daily to provide management services to the Concierge Department of Ocho commencing on 1 July 2008. The monthly Services Fee payable by Ocho to Rich Daily for the provision of the Services by Rich Daily to Ocho is as follows:

Monthly Services Fee = 0.03% x Ocho's monthly Rolling Turnover

Pursuant to the Share Acquisition Agreement, Mr. Ng has undertaken to Riche (BVI) to procure during the First Relevant Period the entering into by Rich Daily of two additional services agreements with other Gaming Promoters in Macau on terms no less favourable than the Ocho Services Agreement. As at the Latest Practicable Date, no additional services agreement has been entered into by Rich Daily with any Gaming Promoter.

According to the accountants' report on Rich Daily as shown in Appendix II to this circular, the net assets of Rich Daily as at 31 March 2008 was HK$780. There was no profit or loss attributable to the equity holders of Rich Daily for the period from 18 January 2008 (date of incorporation) to 31 March 2008.

INFORMATION ON MR. NG

Mr. Ng has over 10 years of experience in Asian gaming, including working as an oversea promoter for various casinos' VIP lounges in Macau. Mr. Ng is the sole shareholder of the Gaming Promoter Ocho, which is a licensed Gaming Promoter at the Grand Lisboa in Macau. Ocho's gaming promoter licence is issued by the Macau Government and renewable yearly. Ocho's gaming promoter licence is valid until 31 December 2008.

REASONS FOR THE ACQUISITION

The principal activity of the Company is investment holding. The principal subsidiaries of the Company are principally engaged in the distribution of films, sub-licencing of film rights and sale of financial assets and property investment.

In view of the continuous growth in Macau's economy and the prospects of Macau's hospitality sector, the Group is in the process of acquiring a 50% equity interest in Kingsway Hotel Limited in Macau. Such acquisition is expected to be completed in the second quarter of 2008. The Directors believe that the Acquisition will not only diversify the Group's revenue base, but also complement the operations of Kingsway Hotel Limited if the acquisition of 50% equity interest in Kingsway Hotel Limited is completed. Following the acquisition of Kingsway Hotel Limited, it is possible that Rich Daily can also provide Services to the Gaming Promoters at the Kingsway Hotel. Furthermore, given the Guarantees and the indefinite period of time of the Ocho Services Agreement, the Directors (including independent non-executive Directors) consider that the terms of the Share Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Net assets

As at 31 December 2007, the audited consolidated net assets value of the Group attributable to the equity holders of the Company amounted to HK$1,046,080,000.

Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix V to this circular, the unaudited pro forma consolidated net assets value of the Enlarged Group attributable to the equity holders of the Company would be HK$1,093,226,000.

Earnings

The Group recorded an audited consolidated profit of HK$25,694,000 for the year ended 31 December 2007. Given the growing prospects of Macau's gaming business and the Ocho's past performance with a monthly average Rolling Turnover of HK$5,610,000,000 for the period from 17 August 2007 to 30 April 2008, the Directors consider the Acquisition could benefit the results of the Enlarged Group in future.

PROSPECTS OF THE ENLARGED GROUP

As Mainland China's economy continues to expand, foreign investment will continue to flow into Beijing and more multi-national corporations will establish regional offices in Beijing, resulting in an increasing need for expatriate accommodation. The Group had acquired the investment properties located at No. 9 Gongyuan Xijie, Dongcheng District, Beijing, China in June 2006. The Group's investment properties are now named "Shama Luxe Chang An". With the opening of Shama Luxe Chang An in early June 2008, the Group is now better positioned to take advantage of this growth. The Directors believe that Shama Luxe Chang An will provide the Group with a long-term recurrent income, which have a positive impact on the Group's profitability.

Macau has been successfully established itself as a world-class gaming and leisure destination in Asia in recent years. According to the Macau Government Tourism Office, the number of new visitors was up 23% to 27,000,000 in 2007. Most visitors, many of them coming under individual traveler agreements with 44 Mainland cities, need more hotels and related services. Currently, hotels in Macau are mainly five-star and three-star and there are no stylish, comfort and luxury boutique hotels in the market. As the Directors believe that there is a demand for stylish, comfort and luxury boutique hotels in Macau from the growing "middle-class" Mainland visitors, the Group is in the process of acquiring Kingsway Hotel Limited. The Directors also believe that Kingsway Hotel will capture a plenty of guests after its renovation in September 2008. In addition, the Directors believe that the value of Kingsway Hotel will be better reflected in the Group as the acquisition of Kingsway Hotel Limited will enable the Group to build up its own branding in hotel and hospitability sector. Due to the additional time required for the bank to release and change the security provided in relation to Kingsway Hotel, completion of the acquisition of Kingsway Hotel Limited is expected to take place in the second quarter of 2008.

The Acquisition is in line with the Group's strategy to diversify its revenue base. Macau is the only city in China where gaming is allowed. Recently, Macau has been ahead of Las Vegas in the United States of America and has become the largest gaming city in the world. Based on the gaming statistics prepared by Gaming Inspection and Coordination Bureau of the Macau Government, the gaming revenue is growing steadily at an average growth rate of approximately 29% each year for the period between 2002 and 2007. The total gaming revenue had increased from MOP23,496 million in 2002 to MOP83,847 million in 2007 whereas the gaming revenue from VIP Baccarat had increased from MOP16,340 million in 2002 to MOP55,762 million in 2007. In addition, the Group has reviewed the operation records of Ocho which shown Ocho had achieved an average monthly Rolling Turnover of HK$5,610 million for the period from 17 August 2007 to 30 April 2008. The Directors believe that the Acquisition will enable the Enlarged Group to diversify its revenue sources and provide the Enlarged Group with a stable source of income, which will have a positive impact on the Enlarged Group's profitability.

Following the completion of the Acquisition, Rich Daily will become a subsidiary of the Group. Upon the completion of the Acquisition, whilst the Enlarged Group will continue to carry out its existing business, the Enlarged Group will carry out the provision of management services to the concierge departments of Gaming Promoters business in Macau.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios as referred to in Chapter 14 of the Listing Rules for the Acquisition are more than 100%, the Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules.

Accordingly, the Acquisition is subject to, among other things, the approval by the Shareholders at the SGM. As no Shareholder has material interest in the Acquisition which is different from the other Shareholders, no Shareholder is required to abstain from voting at SGM.

Completion of the Acquisition is subject to satisfaction and/or waiver of the conditions precedent in the Share Acquisition Agreement. As the Acquisition may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

IMPLICATIONS UNDER THE LAWS OF HONG KONG, MACAU AND THE LISTING RULES

After Completion, the Group, including Rich Daily, will not directly or indirectly be engaged in gambling activities and operation of such gambling activities.

Having duly considered the relevant laws of Hong Kong, including the Gambling Ordinance (Cap. 148), Crimes Ordinance (Cap. 200) and laws governing money laundering activities, the Company's legal advisers, Robertsons, are of the view that:

(1) the Completion will not result in the Group directly or indirectly engaging in gambling activities and operation of such gambling activities;

(2) the Company is not in breach of any applicable laws of Hong Kong as a result of the Acquisition; and

(3) the provision of management services business carried out by Rich Daily does not contravene any applicable laws of Hong Kong and Macau.

Shareholders should be aware that under the guidelines issued by the Stock Exchange in relation to "Gambling activities undertaken by listing applicants and/or listed issuers" dated 11 March 2003, should the Group directly or indirectly be engaged in gambling activities and operation of such gambling activities (i) fail to comply with the applicable laws in the areas where such activities operate and/or (ii) contravene the Gambling Ordinance, the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules, the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Shares.

The Company has obtained a legal opinion from its Macau legal advisers, Leong Hon Man Law Office, as to Macau law, that, inter alia, to the best of their knowledge:

(1) the gaming activities carried out by Ocho in Macau are legal and lawful under Macau law;

(2) the Gaming Promoter activity carried out by Ocho do not contravene any applicable laws of Macau;

(3) the provision of the Services by Rich Daily does not contravene applicable law in Macau; and

(4) the Ocho Services Agreement and the transaction contemplated thereunder does not contravene the laws of Macau.

In relation to the prevention of the money laundering activities, as Ocho is licensed to operate junket business and is licensed to operate gaming business by the relevant authorities in Macau and the amount of bet/Rolling Turnover at the Grand Lisboa is properly registered by Ocho, its gaming activity and business are subject to stringent control and regulation of the Macau Government. As covered by the legal opinion as to Macau law, Ocho is validly licensed to act as Gaming Promoters in Macau. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Grand Lisboa is licensed to operate junket business and gaming business by the relevant authorities in Macau. As such, the Directors believe that the activities Ocho and Grand Lisboa participate should be legal and lawful and thereby the income derived from these activities should also be lawful and proper because:

(1) Sociedade de Jogos de Macau, S.A. is the concessionaire licensed by the Macau Government to carry out casino business in Macau.

(2) Ocho is validly licensed to act as a Gaming Promoter in Macau, as evidenced in the "Licenca De Promotor De Jogo Pessoa Colectiva".

(3) Rich Daily is a company providing Services and receives a management fee and it does not carry out any casino or gaming promotion activities in either Hong Kong or Macau. Therefore, the business activities of Rich Daily will not constitute unlawful activities under the laws of Hong Kong and Macau.

DILUTION EFFECT ON SHAREHOLDING

In view of the future dilution to existing Shareholders on the exercise of the conversion rights attached to the Convertible Bond I and Convertible Bond II, the Company will keep Shareholders informed of the level of dilution and details of conversion as follows:

(a) the Company will make a monthly announcement (the "Monthly Announcement") on the website of the Stock Exchange after issue of the Convertible Bond I and/or Convertible Bond II. Such announcement will be made on or before the fifth Business Day following the end of each calendar month and will include the following details in a table form:

(i) whether there is any conversion of the Convertible Bond I and/or Convertible Bond II during the relevant month. If there is a conversion, details thereof including the conversion date, number of new Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;

(ii) the number of outstanding Convertible Bond I and/or Convertible Bond II after conversion, if any;

(iii) the total number of new Shares issued pursuant to other transactions during the relevant month, including new Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and

(iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month;

(b) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Convertible Bond I and/or Convertible Bond II reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bond I and/or Convertible Bond II (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement in respect of the Convertible Bond I and/or Convertible Bond II (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bond I and/or Convertible Bond II (as the case may be); and

(c) if the Company forms the view that any issue of Conversion Shares will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, then the Company is obliged to make such disclosures regardless of the issue of any announcements in relation to the Convertible Bond I and/or Convertible Bond II as mentioned in (a) and (b) above.

Despite the massive dilution of Shareholders upon conversion of Convertible Bond I and/or Convertible Bond II, the Directors believe that the issue of Convertible Bond I and Convertible Bond II is the best method of part financing the Acquisition as the relevant certificates can be escrowed as security. The Company had considered other means of financing the Acquisition but considering the structure of similar transactions and the recent open offer conducted by the Company, the issue of the Convertible Bond I and Convertible Bond II to part finance the Acquisition is the best means as determined by the Company.

RISK FACTORS OF THE SERVICES PROVIDED BY RICH DAILY

The followings are the risk factors in relation to the Services provided by Rich Daily:

(1) The provision of junket business is competitive in general. There is no guarantee that the targeted customers of Ocho will not be lured away by other junket operators thereby lending to a decrease in Rolling Turnover, which in turn has an adverse effect on the Services Fee to be paid to Rich Daily by Ocho.

(2) The Rolling Turnover generated by Ocho operating as a junket representative in the Grand Lisboa relies on the attractiveness of the Grand Lisboa to the prospective customers and Ocho's ability to procure customers to the Grand Lisboa. There is no assurance that Grand Lisboa is always attractive. In the event that Ocho ceases to be committed to the junket business or cease to be appointed as junket representative by the Grand Lisboa, the junket business, and thereby the Services Fee to be paid to Rich Daily, may be adversely affected.

(3) In the event that the Grand Lisboa becomes the target for carrying out money laundering, the Rolling Turnover generated by Ocho and the Services Fee to be paid to Rich Daily by Ocho may be affected and/or interrupted.

(4) The operation of the junket business by Ocho is subject to the ability of Ocho in obtaining its renewed licence from the Macau Government each year. If Ocho fails to obtain the renewal of its gaming licence from the Macau Government, Ocho can no longer operate its junket business and no Services Fee can be paid to Rich Daily by Ocho as a result.

(5) As the Services Fee from Ocho is derived from the Rolling Turnover generated by Ocho pursuant to the junket representative agreement with the Grand Lisboa, there is a risk that the Services Fee will cease to be source of Rich Daily income if such agreement expires.

To become a junket operator in Macau, it is necessary for the junket operator to obtain a license from the Gaming Inspection and Coordination Bureau of the Macau Government. The license granted to the junket operator is valid for one year and is renewable each year.

The licensing process is initiated with an application request submitted to the Gaming Inspection and Coordination Bureau of the Macau Government including several documents, namely a filled form containing a questionnaire to ascertain the probity of the applicant and a declaration of a concessionaire, duly signed by a legal representative or a director with capacity to bind the company, indicating the intention of the concessionaire to work with such junket operator. The license can only be granted when the applicant is found to comply with the probity requirements. If the applicant is a corporate gaming operator, the probity requirements also apply to its shareholder with 5% or more of the share capital and its key employees. To consider whether the applicant fulfills the probity requirement, the Gaming Inspection and Coordination Bureau of the Macau Government will consider the information provided by the applicant in the questionnaire, including its corporate, business and financial information, information regarding its key employees and shareholders, judicial litigation and governmental investigation, bankruptcy and insolvency, its previous experience in junket business. The relevant authorities will also consider the information provided by the corporate applicant's shareholder with 5% or more of the share capital and key employees, including their personal and family background, their financial information and civil proceedings or criminal investigation that they may involve.

In order to renew the licence, the junket operator shall submit an application form accompanied by a declaration made by the concessionaire or sub-concessionaire, duly signed by a legal representative or a director with capacity to bind the company, indicating the intention of the concessionaire to work with such Gaming Promoter in the subsequent year, to the Gaming Inspection and Coordination Bureau of the Macau Government by 30 September of each year.

PROCEDURES FOR DEMANDING A POLL

Pursuant to bye-law 66 of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

(i) the chairman of the meeting; or

(ii) at least three Shareholders present in person or, in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) Shareholder or Shareholders present in person or, in the case of a Shareholder being a corporation by its duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(iv) Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised corporate representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

THE SGM

A notice convening the SGM to be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Friday, 27 June 2008 at 4:30 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the ordinary resolutions to approve the entering into of the Share Acquisition Agreement, the Acquisition and the transactions contemplated thereunder is set out on pages 139 to 140 of this circular.

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch registrars in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Share Acquisition Agreement and the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that all Shareholders should vote in favour of the resolutions proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Riche Multi-Media Holdings Limited
Heung Wah Keung
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Track record of the Group

The table below sets out the consolidated income statements of the Group for each of the three years ended 31 December 2007.

	Year ended 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	38,739	17,476	38,339
Cost of sales	(28,958)	(13,998)	(36,466)
Gross profit	9,781	3,478	1,873
Other revenue	3,205	5,699	2,066
Other income	106,956	5,560	7,110
Increase in fair value of investment properties	43,853	590	—
Impairment loss recognised in respect of goodwill	(37,828)	—	(12,056)
Impairment loss recognised in respect of film rights	—	—	(8,956)
Selling expenses	—	—	(29)
Administrative expenses	(67,623)	(26,811)	(19,332)
Profit/(loss) from operations	58,344	(11,484)	(29,324)
Finance costs	(19,494)	(9,615)	(340)
Profit/(loss) before taxation	38,850	(21,099)	(29,664)
Taxation	(13,156)	(195)	—
Profit/(loss) for the year	25,694	(21,294)	(29,664)

Overview

The Group is principally engaged in the distribution of films, sub-licensing of film rights and sale of financial assets and property investment.

The table below sets out the breakdown of the Group's turnover by major business activities for the three years ended 31 December 2007.

	Year ended 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Distribution of films	—	164	9,382
Sub-licensing of film rights	—	200	10,534
Sale of financial assets at fair value through profit or loss	35,822	15,229	18,423
Rental income	2,917	1,883	—
	38,739	17,476	38,339

Distribution of films

The Group distributes its films in video format for home entertainment in the PRC.

The Group's film distribution business has been adversely affected by the rampant piracy and a decline in popularity of Hong Kong-made movies since 2004. These difficult market conditions placed price pressure on the Group's films. As a result, the Group became more cost cautions in acquiring film rights and reduced the number of new films released.

In response to the weak market conditions in the PRC, the Group adopted a cautious approach in acquiring film rights and further reduced the number of new films released in 2005 and 2006. In view of the downturn in Hong Kong film industry, Hong Kong film production companies had reduced their productions in 2007. As a result, the Group was not able to source quality films at reasonable prices for distribution and/or sub-licensing. Accordingly, no revenue was generated from the Group's film distribution business.

Sub-licensing of film rights

The Group sub-licenses the whole or part of its distribution rights to films to cinema operators, other distributors or operators of pay or free-to-air television, cable television and hotel in-house video for a limited period of usually five to seven years.

The lifting of foreign film quota restrictions by the PRC Government in 2004 intensifies the competition between Hollywood and Hong Kong. As the PRC first-tier cinemas have strong preference for exhibiting Hollywood films and the local television stations illegally broadcast the Group's films, the film sub-licensing business was adversely affected.

Sale of financial assets

With a view to generating an adequate return on its assets, the Group commenced its business in sale of financial assets in 2004. The Group mainly invests in listed securities in Hong Kong. As volatility in equity market remained high, the Group sold all of its financial assets in the second half of 2007.

Property investment

In view of rampant piracy and weak demand for Hong Kong-made movies in the PRC, the Group has diversified and broadened its revenue sources by acquiring a property investment company in June 2006. The major asset of the property investment company is a property (the "Beijing Property") located at No. 9 Gongyuan Xijie, Dongcheng District, Beijing, the PRC. The Beijing Property is currently held as a long-term investment for rental purposes.

As the Beijing Property is under renovation, no rental income is generated from the apartment units. The rental income for the years ended 31 December 2006 and 2007 were generated from the leasing of the ground floor of the Beijing Property to a restaurant operator.

Analysis on the results of operation of the Group during the three years ended 31 December 2007

Turnover

For the year ended 31 December 2005, the Group's turnover amounted to HK$38,339,000, representing a decrease of 34% as compared with the year ended 31 December 2004. The decrease was mainly attributable to a decrease in the number of films distributed and sub-licensed resulting from the adopting of a cautious approach in acquiring film rights by the Group.

The Group's turnover further decreased from HK$38,339,000 for the year ended 31 December 2005 to HK$17,476,000 for the year ended 31 December 2006. The decrease was mainly attributable to the slow down of the Group's film distribution activities resulted from the difficult market conditions.

The Group recorded a turnover of HK$38,739,000 for the year ended 31 December 2007, a 122% increase from HK$17,476,000 for the same period of the previous year. The increase was mainly attributable to the increase in sales of financial assets activity as the Group sold all of its financial assets in the second half of 2007. As the number of films produced by Hong Kong film production companies decreased in 2007, the Group was not able to source quality films at reasonable prices for distribution and/or sub-licensing. Accordingly, no revenue was generated from the Group's film distribution business.

Cost of sales and gross profit margin

Cost of sales for the year ended 31 December 2005 amounted to HK$36,466,000, out of which HK$20,374,000 was related to sale of financial assets. During the year ended 31 December 2005, the Group's sale of financial assets recorded a loss of HK$1,951,000. Taking into account the dividend income of HK$627,000 recorded in other revenue, the performance of the Group's sale of financial assets was a loss of HK$1,324,000. Cost of sales for film distribution and sub-licensing of film rights decreased from HK$32,436,000 in the year ended 31 December 2004 to HK$16,092,000 in the year ended 31 December 2005. The decrease was attributable to a decrease in amortisation of film rights resulting from the decrease in the number distributed and sub-licensed. Gross profit margin for film distribution and sub-licensing of film rights dropped from 26% in the year ended 31 December 2004 to 19% in the year ended 31 December 2005. The drop in gross profit margin was attributed to the better margins the Group obtained from the delivery of 108 old films in 2004, the cost of which had already been almost fully amortised.

Cost of sales for the year ended 31 December 2006 amounted to HK$13,998,000, out of which HK$13,461,000 was related to sale of financial assets and HK$271,000 was related to property investment. Cost of sales for film distribution and sub-licensing of film rights decreased from HK$16,092,000 for the year ended 31 December 2005 to HK$266,000 for the year ended 31 December 2006. The decrease was attributed to the slow down of the Group's film distribution activities. Gross profit margin for film distribution and sub-licensing of film rights improved from 19% in the year ended 31 December 2005 to 27% in the year ended 31 December 2006. The improvement in gross profit margin was attributed to the cost of certain films sold in 2006 had already been fully amortised. For the year ended 31 December 2006, the Group recorded a gross profit of HK$1,768,000 for sales of financial assets. Taking into account the dividend income of HK$754,000 and an increase in fair value of financial assets at fair value through profit or loss of HK$5,360,000, the performance of the Group's sale of financial assets was a profit of HK$7,882,000.

The Group's cost of sales for the year ended 31 December 2007 amounted to HK$28,958,000, of which HK$28,100,000 was related to sales of financial assets and HK$858,000 was related to property investment. During the year, the Group recorded a gross profit of HK$7,722,000 for sales of financial assets, a 337% increase from HK$1,768,000 for the previous year. Taking into the dividend income of HK$78,000, the performance of the Group's sales of financial assets was a profit of HK$7,800,000. Gross profit for property investment amounted to HK$2,059,000 in the year ended 31 December 2007. As the Beijing Property was under renovation during the year, the contribution represented the rental income generated from the leasing of the ground floor of the Beijing Property to a restaurant operator.

Other revenue

Other revenue usually comprised dividend income from financial assets at fair value through profit or loss, interest income on bank deposits and sundry income.

Other revenue increased from HK$390,000 in the year ended 31 December 2004 to HK$2,066,000 in the year ended 31 December 2005. The increase was mainly attributed to an increase in bank interest income of HK$1,339,000 resulting from the increase in the Group's bank deposits and the receipt of dividend income of HK$627,000 from the Group's financial assets at fair value through profit or loss.

Other revenue further increased from HK$2,066,000 in the year ended 31 December 2005 to HK$5,699,000 in the year ended 31 December 2006. The increase was mainly attributed to an increase in bank interest income of HK$2,975,000 resulting from the top-up placing of new shares raising HK$131,179,000 in September 2005.

Other revenue decreased from HK$5,699,000 in the year ended 31 December 2006 to HK$3,205,000. The decrease was mainly due to the decrease in bank deposit interest income.

Other income

For the year ended 31 December 2005, other income represented a gain of HK$7,110,000 arising from the sale of the Group's leasehold land and buildings in July 2005.

Other income for the year ended 31 December 2006 amounted to HK$5,560,000 and was mainly derived from the increase in fair value of financial assets at fair value through profit or loss, which amounted to HK$5,360,000.

Other income increased from HK$5,560,000 in the year ended 31 December 2006 to HK$106,956,000 in the year ended 31 December 2007. The substantial increase was attributed to the recognition of a gain of HK$106,956,000 arising from the secured bank loan interest waived by China Merchants Bank.

Loss/profit from operations

The Group recorded a loss from operations of HK$29,324,000 for the year ended 31 December 2005. The loss was mainly attributed to the decrease in the number of films distributed and sub-licensed and the impairment losses of HK$21,012,000 recognised in respect of film rights and goodwill.

Loss from operations improved from HK$29,324,000 in the year ended 31 December 2005 to HK$11,484,000 in the year ended 31 December 2006. The improvement was mainly attributable to the fact that the Group did not record any impairment losses recognised in respect of film rights and goodwill in the year ended 31 December 2006, while the Group recorded such impairment losses of HK$21,012,000 in the previous year. This improvement was partly offset by the increase in administrative expenses of HK$7,479,000 resulted from the Group's expansion into property investment business.

Profit from operations amounted to HK$58,344,000 in the year ended 31 December 2007, whereas a loss from operations of HK$11,484,000 was recorded for the previous year. This was attributable to the recognition of a gain of HK$106,956,000 arising from the secured bank loan interest waived by China Merchants Bank and the increase in fair value of the Beijing Property of HK$43,853,000, which were partially offset by the impairment loss recognised in respect of goodwill of HK$37,828,000 and the share-based payment expenses of HK$32,282,000 recorded in administrative expenses.

Finance costs

Finance costs for the year ended 31 December 2005 amounted to HK$340,000. It consisted of interest expenses on convertible notes payable to First-Up Investments Limited ("First-Up"), a wholly-owned subsidiary of China Star Entertainment Limited ("China Star") of HK$100,000, interest expenses on a loan payable to China Star of HK$238,000 and interest expenses on a finance lease of HK$2,000.

Finance costs increased from HK$340,000 in the year ended 31 December 2005 to HK$9,615,000 in the year ended 31 December 2006. The increase was attributable to the inclusion of Beijing Jian Guo Real Estate Development Co. Ltd.'s ("Beijing Jianguo") secured bank loans interest expenses of HK$9,515,000 following the completion of its acquisition in June 2006.

Finance costs further increased from HK$9,615,000 in the year ended 31 December 2006 to HK$19,494,000 in the year ended 31 December 2007. The substantial increase was attributable to the full year effect of the interest expenses of Beijing Jianguo.

Taxation

No provision for tax was made for the year ended 31 December 2005 as the Group either had no estimated assessable profits or its estimated assessable profits were wholly absorbed by estimated tax losses brought forward.

The taxation charge for the year ended 31 December 2006 represented a transfer of deferred tax to income statement, which was arisen from the revaluation of the Beijing Property.

The taxation charge for the year ended 31 December 2007 represented a provision for deferred taxation arising from the revaluation of the Beijing Property.

Loss/profit for the year

Loss improved from HK$29,664,000 for the year ended 31 December 2005 to HK$21,294,000 for the year ended 31 December 2006. The improvement was mainly attributable to no impairment losses recognised in respect of film rights and goodwill, which was partially offset by the increases in administrative expenses of HK$7,479,000 and finance costs of HK$9,275,000 resulted from the Group's expansion into property investment business.

The Group recorded a profit of HK$25,694,000 in the year ended 31 December 2007, whereas the Group recorded a loss of HK$21,294,000 in the year ended 31 December 2006. The turnaround was attributable to the recognition of a gain of HK$106,956,000 arising from the secured bank loan interest waived by China Merchants Bank and the increase in fair value of the Beijing Property of HK$43,853,000, which were partially offset by the impairment loss recognised in respect of goodwill of HK$37,828,000 and the increases in administrative expenses and finance costs.

Analysis on the financial position of the Group during the three years ended 31 December 2007

Liquidity and financial resources

During the three years ended 31 December 2007, the Group mainly funded its operations mainly from cash generated from operations, the convertible notes payable issued by the Company to First-Up, issuance of new shares, a one-year term loan granted by China Star and bank borrowings. In the year ended 31 December 2005, the net cash generated from operating activities was HK$14,393,000. In the years ended 31 December 2006 and 2007, the Group's net cash used in operating activities amounted to HK$61,710,000 and HK$44,172,000 respectively.

In September 2005, the Company issued 400,000,000 new shares of HK$0.01 each at a price of HK$0.34 per share by way of vendor placing and top-up subscription raising HK$131,179,000 (net of expenses). On 19 April 2005, the First-Up Convertible Notes matured. First-Up did not exercise the right to convert the outstanding principal amount of the First-Up Convertible Notes into the shares of the Company and the Group repaid HK$33,800,000 to First-Up. On the same date, China Star granted a one-year term loan of HK$33,800,000 to the Company. As at 31 December 2005, the cash and bank balances of the Group amounted to HK$137,973,000 and total borrowings amounted to HK$34,832,000, comprising the one-year term loan of HK$33,800,000 granted by China Star, which was unsecured, interest bearing at 1% per annum and maturing on 19 April 2006; and the amounts due by the Group to China Star's subsidiaries of HK$1,032,000 which are unsecured, interest-free and have no fixed terms of repayment. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 21%.

As at 31 December 2006, the cash and bank balances of the Group amounted to HK$63,140,000 and the total borrowings of the Group amounted to HK$358,033,000, comprising the secured RMB term loan facility of HK$250,470,000 which is secured by the Beijing Property, interest bearing at 95% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within five years; the interest portion of the RMB secured bank loan granted by China Merchants Bank of HK$106,957,000; and the amounts due by the Group to China Star's subsidiaries of HK$606,000 which are unsecured, interest-free and have no fixed terms of repayment. On 23 March 2007, China Merchants Bank agreed to waive the interest portion of HK$106,957,000. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 90%.

As at 31 December 2007, the cash and bank balances of the Group amounted to HK$531,396,000, of which HK$16,832,000 is pledged to a bank for securing the secured RMB term loan facility, and the total borrowings of the Group amounted to HK$329,719,000, comprising the secured RMB term loan facility of HK$329,018,000 which is secured by certain of the Beijing Property and bank deposits of HK$16,832,000, interest bearing at 95% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within four years; and the amounts due by the Group to China Star and its subsidiary of HK$701,000 which are unsecured, interest-free and have no fixed terms of repayment. The Group expresses its gearing ratio as a percentage of total borrowings over equity attributable to equity holders of the Company. At 31 December 2007, the Group's gearing ratio was 31.5%.

Charges on assets

As at 31 December 2005, the Group did not have any mortgage or charge.

As at 31 December 2006, the Beijing Property with a fair value of HK$678,000,000 was pledged to a bank to secure the secured RMB term loan facility.

As at 31 December 2007, certain of the Beijing Property with a fair value of HK$852,081,000 and bank deposits of HK$16,832,000 were pledged to a bank to secure the secured RMB term loan facility.

Net current assets

The net current assets of the Group amounted to HK$164,020,000, HK$53,882,000 and HK$491,885,000 as at 31 December 2005, 2006 and 2007 respectively.

The current ratios of the Group as at 31 December 2005, 2006 and 2007 were 3.4, 1.5 and 5.2 respectively.

Material acquisitions and disposals of subsidiaries and associated companies

In March 2004, the Group acquired 40% of the issued share capital of Rainbow Choice Enterprises Limited ("Rainbow Choice") by investing HK$30,000,000. Rainbow Choice engaged in the business of producing and distributing of entertainment news programmes in the PRC. The acquisition facilitated the Group's expansion into the PRC television advertising business. As the performance of Rainbow Choice was not satisfactory, the Group entered into an agreement with the other shareholder of Rainbow Choice in April 2005. Under the agreement, the Group would own the intellectual property rights of the contents produced by Rainbow Choice and the other shareholder of Rainbow Choice would repay the production and distribution fees of HK$18,000,000 to the Group.

In April 2005, the Group exercised its right to convert the outstanding principal amount of the convertible notes of HK$160,000,000 issued by Gainful Fortune Limited into the shares of Gainful Fortune Limited. Gainful Fortune Limited and Ocean Shore Licensing Limited became subsidiaries of the Company.

In June 2006, the Group acquired (a) 100% of the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and (b) the debts owed by Shinhan-Golden to Northbay Investments Holdings Limited ("Northbay"), at an aggregate consideration of HK$266,064,350. Shinhan-Golden is an investment holding vehicle and its major asset is the 96.7% equity interest in Beijing Jianguo. Beijing Jianguo is the registered owner of the Beijing Property.

In May 2007, the Group entered into a joint venture agreement with Steve Leung Hotel Design and Management Limited ("SLHDML"), a company beneficial owned by Mr. Steve Leung, for the purpose of setting up of a joint venture company, namely Best Season Holdings Corp. ("Best Season"). Best Season is owned as to 75% by the Company and as to 25% by SLHDML. Best Season has been established to invest in, manage and conduct branding for real estate and/or related properties in Macau including but not limited to hotel(s), serviced apartment(s), restaurant(s), retail(s), catering(s), resort(s), club(s), residential(s) and any other service position.

In July 2007, the Group entered into a conditional sale and purchase agreement with Ms. Chen Ming Yin, Tiffany, an executive Director, pursuant to which the Group would acquire a 100% interest in the issued share capital of Modern Vision (Asia) Limited, a company wholly-owned by Ms. Chen Ming Yin, Tiffany, at a consideration of HK$684,000,000 (subject to adjustment). The consideration shall be satisfied in cash. The major asset of Modern Vision (Asia) Limited is its indirect 50% interest in a lot of land with the area of 4,669 square meters located in the Nam Van Lakes Zone, Macau. The proposed acquisition was not approved by the independent Shareholders at the special general meeting of the Company held on 21 November 2007.

In August 2007, the Group entered into a conditional sale and purchase agreement with China Star, a substantial Shareholder, pursuant to which the Group would acquire a 100% interest in the issued share capital of Exceptional Gain Profits Limited, a wholly-owned subsidiary of China Star and a sale loan at a consideration of HK$447,000,000. The consideration shall be satisfied by the issue of a convertible note. Exceptional Gain Profits Limited is an investment-holding vehicle, which indirectly holds a 50% interest in Kingsway Hotel Limited. The proposed acquisition was approved by the independent Shareholders at the special general meeting of the Company held on 31 December 2007. Due to additional time is required for the bank to release and change security provided in relation to Kingsway Hotel, the completion of the proposed acquisition is expected to be taken place in the second quarter of 2008.

Save as disclosed above, the Group made no material acquisitions or disposals of subsidiaries and associated companies during the three years ended 31 December 2007.

Contingent liabilities

As at 31 December 2005 and 2007, the Group did not have any material contingent liabilities.

As at 31 December 2006, the Group had the following contingent liabilities:

(a) A writ of summons and statement of claim was made by CL3 Architects Limited against Beijing Jianguo for a claim of approximately HK$2,500,000 over design contracts for the investment property with Beijing Jianguo. In the opinion of the Directors, the outcome of this case is yet to be certain and considered no provision should be made.

(b) A writ of summons and statement of claim was made by ICBC against Beijing Jianguo for a claim of approximately RMB1,197,000 (or approximately HK$1,197,000) over the non-repayment of a mortgage loan granted to a owner (the "Borrower") of an apartment unit in the Group's investment properties. The Borrower purchased the apartment unit from Beijing Jianguo in 2001 and the legal title of the apartment unit has not yet been transferred from Beijing Jianguo to the Borrower. On 15 December 2006, the PRC court made a verdict that Beijing Jianguo was liable to pay RMB1,197,000 if the Borrower failed to pay RMB1,197,000 to ICBC. Beijing Jianguo has appealed to the PRC court. The PRC court is processing the appeal. In the opinion of the Directors, no provision should be made for this liability as the sale proceed of the apartment unit has been totally received by Beijing Jianguo and the legal title of the apartment unit remains with Beijing Jianguo.

Capital structure

On 21 December 2004, the Company announced that every one share of HK$0.10 each in the issued and unissued share capital of the Company be subdivided into ten shares of HK$0.01 each in the issued and unissued share capital of the Company. The share subdivision was approved by the Shareholders on the special general meeting of the Company held on 14 January 2005. The share subdivision took effect on 17 January 2005.

In September 2005, the Company issued 400,000,000 new shares of HK$0.01 each at a price of HK$0.34 per share by way of a vendor placing and top-up subscription raising HK$131,179,000 (net of expenses) for investment in other relevant business opportunities that might arise in the future and general working capital of the Group.

On 21 June 2006, the Company issued 1,330,321,745 new shares of HK$0.01 each at price of HK$0.20 per share to Northbay to settle the consideration of HK$266,064,350 in respect of the Acquisition.

On 30 March 2007, 1,296,860,000 new shares of HK$0.01 each were allotted and issued at a price of HK$0.04 per share by way of top-up placing raising HK$50,500,000 (net of expenses) for financing possible diversified investments of the Group and general working capital of the Group.

On 4 April 2007, the Company announced that every ten share of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one Old Share of HK$0.10 each in the issued and unissued share capital of the Company. The share consolidation was approved by the Shareholders on the special general meeting of the Company held on 18 May 2007. The share consolidation took effect on 21 May 2007.

On 17 May 2007, 324,000,000 new shares of HK$0.01 each were allotted and issued at an exercise price of HK$0.047 per share pursuant to the exercise of share options granted to the Group's employees and consultants.

On 31 May 2007, 155,620,000 new Old Shares were allotted and issued at a price of HK$0.55 per Old Share by way of placement raising HK$83,300,000 (net of expenses) for financing possible diversified investments of the Group and general working capital of the Group.

On 11 July 2007, 162,100,000 new Old Shares were allotted and issued at a price of HK$0.50 per Old Share by way of placing of new shares under general mandate. The net proceeds of HK$78,900,000 were intended to be used for expansion of the Group's investment business.

On 7 August 2007, 173,000,000 new Old Shares were allotted and issued at a price of HK$0.83 per Old Share by way of top-up placing. The net proceeds of HK$139,800,000 were intended to be used for expansion of the Group's property investment business.

On 18 December 2007, 650,619,987 new Old Shares were allotted and issued at a price of HK$0.30 per Old Share by way of open offer to the qualifying Shareholders on the basis of one offer share for every two Old Shares. The net proceeds of HK$189,000,000 were intended to be used for the proposed acquisition of 100% equity interest in Modern Vision (Asia) Limited as disclosed in the Company's announcement dated 23 July 2007 and circular dated 5 November 2007 and general working capital of the Group.

Save as disclosed above, there was no change in the equity capital structure of the Company for the three years ended 31 December 2007.

Exchange risk and hedging

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Reminbi, the exchange rate risk of the Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes were used by the Group for the three years ended 31 December 2007.

Staff, remuneration policies and share option scheme

As at 31 December 2005, 2006 and 2007, the Group employed 28, 59 and 70 staff respectively. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include medical scheme and share options.

MANAGEMENT DISCUSSION AND ANALYSIS ON RICH DAILY

Overview

Rich Daily is principally engaged in the provision of management services to Conciegre Department of Gaming Promoters in Macau and incorporated in the British Virgin Islands on 18 January 2008. As at the Latest Practicable Date, Rich Daily has not yet commenced its business.

On 28 February 2008, Rich Daily entered into the Ocho Services Agreement with Ocho. Pursuant to the Ocho Services Agreement, Ocho has appointed Rich Daily to provide management services to the Concierge Department of Ocho commencing on 1 July 2008. The monthly Services Fee payable by Ocho to Rich Daily for the provision of the Services by Rich Daily to Ocho is as follows:

Monthly Services Fee = 0.03% x Ocho's monthly Rolling Turnover

In addition, Mr. Ng has undertaken to procure during the First Relevant Period the entering into by Rich Daily of two additional services agreements with other Gaming Promoters in Macau on terms no less favourable than the Ocho Services Agreement.

Other than the Ocho Services Agreement and the cash on hand of HK$780, Rich Daily does not have any assets or liabilities as at 31 March 2008.

Analysis on the results of operation of Rich Daily during the period from 18 January 2008 to 31 March 2008

Profit/loss for the period

As Rich Daily has not commenced its business since its incorporation, Rich Daily did not record any profit or loss during the period from 18 January 2008 to 31 March 2008.

Analysis on the financial position of Rich Daily during the period from 18 January 2008 to 31 March 2008

Liquidity and financial resources

As Rich Daily is a management services provider, there is no specific minimum capital requirement and/or any other financial resources requirement. It is expected that Rich Daily will fund its operation from cash generated from its operations.

As at 31 March 2008, Rich Daily had cash on hand of HK$780 and no borrowings.

Charges on assets

As at 31 March 2008, Rich Daily had no charges on its assets.

Net current liabilities

As at 31 March 2008, Rich Daily had no current liabilities.

Material acquisitions and disposals of subsidiaries and associated companies

During the period from 18 January 2008 to 31 March 2008, there were no material acquisitions and disposals carried out by Rich Daily.

Contingent liabilities

As at 31 March 2008, Rich Daily had no material contingent liabilities.

Capital structure

During the period from 18 January 2008 to 31 March 2008, Rich Daily issued 100 ordinary shares of US$1.00 each at a price of US$1.00 per ordinary share to Well Will.

Exchange risk and hedging

As Rich Daily has not yet commenced its business, no financial instruments for hedging purposes were used by Rich Daily for the period from 18 January 2008 to 31 March 2008.

Staff and remuneration policies

As at 31 March 2008, Rich Daily had no employee.

The following is the text of an accountants' report on Rich Daily Group Limited received from HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, the reporting accountants, for the sole purpose of inclusion in this circular.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 May 2008

The Directors
Riche Multi-Media Holdings Limited
Room 3408, 34th Floor
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Rich Daily Group Limited ("Rich Daily") for the period from 18 January 2008 (date of incorporation) to 31 March 2008 (the "Relevant Period") for inclusion in the circular of Riche Multi-Media Holdings Limited (the "Company") dated 30 May 2008 (the "Circular") in connection with the proposed acquisition of 100% of the issued share capital of Rich Daily by the Company.

Rich Daily was incorporated in the British Virgin Islands with limited liability on 18 January 2008. The registered office of Rich Daily is located at Portcullis TrustNet (BVI) Limited, Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands. During the Relevant Period, Rich Daily has not yet engaged in any business, except that on 28 February 2008, Rich Daily has entered into an agreement with Ocho Sociedade Unipessoal Limitada ("Ocho") to appoint Rich Daily to provide management services to the Concierge Department of Ocho and receive monthly services fee of 0.03% of Ocho's monthly Rolling Turnover.

Rich Daily adopted 31 December as its financial year end date. No audited financial statements of Rich Daily have been prepared since its date of incorporation.

BASIS OF PREPARATION

The Financial Information has been prepared by the director of Rich Daily based on the unaudited management accounts of Rich Daily, after making adjustments as are appropriate (the "Underlying Financial Information"). Adjustments have been made, for the purpose of this report, to restate the Underlying Financial Information to conform with Hong Kong Financial Reporting Standards and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR AND THE REPORTING ACCOUNTANTS

The director of Rich Daily is responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have audited the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountants" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of Rich Daily in respect of any period subsequent to 31 March 2008.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the director of Rich Daily in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the circumstances of Rich Daily, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of Rich Daily's financial position as at 31 March 2008 and of Rich Daily's financial results and cash flows for the Relevant Period.

I. FINANCIAL INFORMATION OF RICH DAILY

BALANCE SHEET

	Note	**At 31 March 2008** *HK$*
ASSETS		
Current asset		
Cash and cash equivalents		780
Total assets		780
EQUITY		
Capital and reserves attributable to the equity holders of Rich Daily		
Share capital	*5*	780
Total equity		780

INCOME STATEMENT

	Notes	For the period from 18 January 2008 (date of incorporation) to 31 March 2008 HK$
Turnover	6	—
Administrative expenses		—
Profit from operating activities	7	—
Taxation	9	—
Profit for the period		—
Attributable to:		
Equity holders of Rich Daily		—

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Rich Daily		
	Share capital	**Retained profits**	**Total**
	HK$	*HK$*	*HK$*
At 18 January 2008 (date of incorporation)	780	—	780
Profit for the period	—	—	—
At 31 March 2008	780	—	780

CASH FLOW STATEMENT

	For the period from 18 January 2008 (date of incorporation) to 31 March 2008
	HK$
Cash flows from operating activities	
Profit before taxation and operating cash flows before working capital changes	—
Net cash generated from operating activities	—
Cash flows from financing activities	
Issuance of shares	780
Net cash generated from financing activities	780
Net increase in cash and cash equivalents	780
Cash and cash equivalents at the beginning of the period	—
Cash and cash equivalents at the end of the period	780
Analysis of the balances of cash and cash equivalents	
Cash balance	780

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

Rich Daily was incorporated in the British Virgin Islands with limited liability on 18 January 2008. The registered office of Rich Daily is located at Portcullis TrustNet (BVI) Limited, Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands.

During the Relevant Period, Rich Daily has not yet engaged in any business, except that on 28 February 2008, Rich Daily has entered into an agreement with Ocho to appoint Rich Daily to provide management services to the Concierge Department of Ocho and receive monthly services fee of 0.03% of Ocho's monthly Rolling Turnover.

2. Summary of significant accounting policies

The Financial Information has 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 HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The HKICPA issued a number of new or revised HKASs, HKFRSs and INTs (hereinafter collectively referred to as the "new HKFRSs") which are currently in use and effective for accounting periods beginning on or after 1 January 2007. For the purpose of preparing and presenting Financial Information of the Relevant Period, Rich Daily has adopted all these new HKFRSs over the Relevant Period.

Rich Daily has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The director of Rich Daily anticipates that the applications of these new standards and interpretations will have no material impact on the Financial Information of Rich Daily.

HKAS 1 (Revised)	Presentation of Financial Statement[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[3]

[1] Effective for annual period beginning on or after 1 January 2009
[2] Effective for annual period beginning on or after 1 July 2009
[3] Effective for annual period beginning on or after 1 July 2008

The principal accounting policies applied in the preparation of this Financial Information are set out below. These policies have been consistently applied to all the Relevant Period presented, unless otherwise stated.

(a) Basis of preparation

The Financial Information has been prepared under historical cost convention, except for financial assets which are carried at fair values. The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying Rich Daily's accounting policies.

The Financial Information is presented in Hong Kong Dollars ("HK$") which is the functional currency of Rich Daily.

(b) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Rich Daily's cash management.

(c) Revenue recognition

There is no turnover generated during the Relevant Period.

(d) 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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. Rich Daily's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liabilities method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(e) Impairment of assets

At each balance sheet date, Rich Daily 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 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.

(f) Provisions

Provisions are recognised when Rich Daily has a present obligation as a result of a past event, and it is probable that Rich Daily will be required to settle that obligations. Provisions are measured at the director's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(g) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Rich Daily. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(h) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(i) Related parties transactions

Parties are considered to be related to Rich Daily if:

(i) the party, directly or indirectly through one or more intermediaries, (I) controls, is controlled by, or is under common control with, Rich Daily; (II) has an interest in Rich Daily that gives it significant influence over Rich Daily; (III) has joint control over Rich Daily;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of Rich Daily or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, joint-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of the employees of Rich Daily, of any entity that is related party of Rich Daily.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Financial risk management

(a) Financial risk factors

Rich Daily's activities expose it to a variety of financial risks: liquidity risk and cash flow interest-rate risk. Rich Daily focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Rich Daily's financial performance.

(i) Liquidity risk

Rich Daily manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash to meet the Rich Daily's liquidity requirements in the short and long term.

(ii) Cash flow interest-rate risk

Rich Daily has no significant cash flow interest-rate risk as there is no significant floating interest-bearing asset, Rich Daily's income and operating cash flows are substantially independent of changes in market interest rates and no sensitivity analysis disclosed to reflect the impact of changes in market interest rates.

(b) Capital risk management

Rich Daily manages its capital to ensure that Rich Daily will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of Rich Daily consists of debts which include cash and cash equivalents and equity attributable to equity holders of Rich Daily, comprising issued share capital. The director of Rich Daily reviews the capital structure on a regular basis. As part of this review, the director of Rich Daily considers the cost of capital and associated risks, and take appropriate actions to adjust Rich Daily's capital structure and gearing ratio. Rich Daily's overall strategy remains unchanged during the Relevant Period.

(c) Fair value estimation

The carrying amounts of Rich Daily's financial assets, including cash and cash equivalents approximate to their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate available to Rich Daily for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements 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. Rich Daily makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

5. Share capital

	Number of shares	**Share capital**	
		US$	*HK$*
Authorised:			
Ordinary shares of US$ 1 each	50,000	50,000	390,000
Issued and fully paid:			
Ordinary shares of US$ 1 each	100	100	780

6. Turnover

There is no turnover generated during the Relevant Period.

7. Profit from operating activities

No director's emoluments were paid by Rich Daily during the Relevant Period.

No auditors' remuneration and employees' emoluments were paid by Rich Daily during the Relevant Period.

8. Employee benefit expenses

(a) Director's emoluments for the period from 18 January 2008 (date of incorporation) to 31 March 2008.

	Fee	Salaries, allowance and bonus	Total
	HK$	*HK$*	*HK$*
Well Will Investment Limited (appointed on 18 January 2008)	—	—	—

(b) During the Relevant Period, no emoluments were paid by Rich Daily to the director or employees for services rendered or as an inducement to join or upon joining or as a compensation for loss of office. No director of Rich Daily waived or agreed to waive any emoluments.

9. Taxation

No provision for profits tax has been made as Rich Daily did not generate any assessable profits during the Relevant Period.

There are no material unprovided deferred tax assets and liabilities as at the balance sheet date.

10. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. Dividends

The director of Rich Daily does not recommend a payment of dividend during the Relevant Period.

12. Capital commitments

Rich Daily did not have any significant capital commitments as at 31 March 2008.

13. Contingent liabilities

Rich Daily did not have any significant contingent liabilities as at 31 March 2008.

14. Subsequent events

No significant subsequent events took place subsequent to 31 March 2008.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Rich Daily in respect of any period subsequent to 31 March 2008.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

1. SUMMARY OF FINANCIAL INFORMATION ON THE GROUP

The following is a summary of the consolidated results of the Group for the three years ended 31 December 2005, 2006 and 2007 and the consolidated balance sheets as at 31 December 2005, 2006 and 2007 as extracted from the published annual reports of the Company for the two years ended 31 December 2006 and 2007.

(a) Consolidated income statement

	Year ended 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	38,739	17,476	38,339
Cost of sales	(28,958)	(13,998)	(36,466)
Gross profit	9,781	3,478	1,873
Other revenue	3,205	5,699	2,066
Other income	106,956	5,560	7,110
Increase in fair value of investments properties	43,853	590	—
Impairment loss recognised in respect of goodwill	(37,828)	—	(12,056)
Impairment loss recognised in respect of film rights	—	—	(8,956)
Administrative expenses	(67,623)	(26,811)	(19,332)
Selling expenses	—	—	(29)
Profit/(loss) from operations	58,344	(11,484)	(29,324)
Finance costs	(19,494)	(9,615)	(340)
Profit/(loss) before taxation	38,850	(21,099)	(29,664)
Taxation	(13,156)	(195)	—
Profit/(loss) for the year	25,694	(21,294)	(29,664)
Attributable to:			
Equity holders of the Company	25,694	(21,294)	(29,664)
Earnings/(loss) per share attributable to the equity holders of the Company — Basic and diluted	HK2.50 cents	HK(3.28) cents	HK(6.10) cents

(b) Consolidated balance sheet

	As at 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	6,000	2,468	3,418
Investment properties	887,450	678,000	—
Goodwill	39,456	77,284	—
Club membership	172	172	172
	933,078	757,924	3,590
Current assets			
Inventories	32,783	45,154	6
Film rights deposits	—	—	14
Trade receivables	1,245	936	4,729
Deposits, prepayments and other receivables	31,830	19,254	54,202
Financial assets at fair value through profit or loss	—	28,100	30,567
Tax prepayments	12,120	7,720	4,146
Cash and cash equivalents	531,396	63,140	137,973
	609,374	164,304	231,637
Total assets	1,542,452	922,228	235,227
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	195,186	64,843	51,540
Reserves	850,894	334,793	116,070
	1,046,080	399,636	167,610
Minority interests	3,896	3,896	—
Total equity	1,049,976	403,532	167,610

	As at 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
LIABILITIES			
Current liabilities			
Trade payables	—	—	1,714
Accruals and other payables	19,245	20,208	7,619
Receipts in advance	47,041	60,898	483
Amounts due to related companies	701	606	34,832
Secured bank loans — due within one year	27,533	5,470	—
Tax payables	22,969	23,240	22,969
	117,489	110,422	67,617
Non-current liabilities			
Secured bank loans — due after one year	301,485	351,957	—
Deferred taxation	73,502	56,317	—
	374,987	408,274	—
Total equity and liabilities	1,542,452	922,228	235,227
Net current assets	491,885	53,882	164,020
Total assets less current liabilities	1,424,963	811,806	167,610

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is an extract of the audited financial statements from the annual report of the Company for the year ended 31 December 2007:

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	6,000	2,468
Investment properties	*17*	887,450	678,000
Goodwill	*19*	39,456	77,284
Club membership		172	172
		933,078	757,924
Current assets			
Inventories	*20*	32,783	45,154
Trade receivables	*21*	1,245	936
Deposits, prepayments and other receivables	*22*	31,830	19,254
Financial assets at fair value through profit or loss	*23*	—	28,100
Tax prepayments	*24*	12,120	7,720
Cash and cash equivalents	*25*	531,396	63,140
		609,374	164,304
Total assets		1,542,452	922,228
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*26*	195,186	64,843
Reserves		850,894	334,793
		1,046,080	399,636
Minority interests		3,896	3,896
Total equity		1,049,976	403,532

	Notes	2007 HK$'000	2006 HK$'000
LIABILITIES			
Current liabilities			
Accruals and other payables	*28*	19,245	20,208
Receipts in advance	*29*	47,041	60,898
Amounts due to related companies	*30*	701	606
Secured bank loans			
— due within one year	*31*	27,533	5,470
Tax payables		22,969	23,240
		117,489	110,422
Non-current liabilities			
Secured bank loans			
— due after one year	*31*	301,485	351,957
Deferred taxation	*32*	73,502	56,317
		374,987	408,274
Total equity and liabilities		1,542,452	922,228
Net current assets		491,885	53,882
Total assets less current liabilities		1,424,963	811,806

BALANCE SHEET
At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	18	4,873	41,824
Current assets			
Deposits, prepayments and other receivables	22	2,250	1,801
Cash and cash equivalents	25	489,538	55,862
		491,788	57,663
Total assets		496,661	99,487
EQUITY			
Share capital	26	195,186	64,843
Reserves	27	262,946	25,708
Total equity		458,132	90,551
LIABILITIES			
Current liabilities			
Accruals and other payables	28	943	233
Amounts due to subsidiaries	18	37,586	8,703
		38,529	8,936
Total equity and liabilities		496,661	99,487
Net current assets		453,259	48,727
Total assets less current liabilities		458,132	90,551

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Turnover	*7*	38,739	17,476
Cost of sales		(28,958)	(13,998)
Gross profit		9,781	3,478
Other revenue	*8*	3,205	5,699
Other income	*8*	106,956	5,560
Increase in fair value of investment properties	*17*	43,853	590
Impairment loss recognised in respect of goodwill	*19*	(37,828)	—
Administrative expenses		(67,623)	(26,811)
Profit/(loss) from operations	*9*	58,344	(11,484)
Finance costs	*10*	(19,494)	(9,615)
Profit/(loss) before taxation		38,850	(21,099)
Taxation	*13*	(13,156)	(195)
Profit/(loss) for the year		25,694	(21,294)
Attributable to:			
Equity holders of the Company		25,694	(21,294)
Earnings/(loss) per share attributable to the equity holders of the Company			
— Basic and diluted	*14*	HK2.50 cents	HK(3.28) cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to equity holders of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Contributed surplus *HK$'000*	Special reserve *HK$'000*	Share-based payment reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 January 2006	51,540	127,865	19,834	80,103	–	–	–	(111,732)	167,610	–	167,610
Exchange differences arising from translation of investment in a foreign subsidiary	–	–	–	–	–	–	7,201	–	7,201	–	7,201
Net income directly recognised in equity	–	–	–	–	–	–	7,201	–	7,201	–	7,201
Net loss for the year	–	–	–	–	–	–	–	(21,294)	(21,294)	–	(21,294)
Total recognised income/(expense) for the year	–	–	–	–	–	–	7,201	(21,294)	(14,093)	–	(14,093)
Issuance of new shares	13,303	252,761	–	–	–	–	–	–	266,064	–	266,064
Acquisition of a subsidiary	–	–	10	–	–	–	–	–	10	3,896	3,906
Special reserve arising from acquisition of a subsidiary	–	–	–	–	(19,955)	–	–	–	(19,955)	–	(19,955)
At 31 December 2006 and 1 January 2007	64,843	380,626	19,844	80,103	(19,955)	–	7,201	(133,026)	399,636	3,896	403,532
Exchange differences arising from translation of investment in foreign subsidiaries	–	–	–	–	–	–	29,533	–	29,533	–	29,533
Net income directly recognised in equity	–	–	–	–	–	–	29,533	–	29,533	–	29,533
Net profit for the year	–	–	–	–	–	–	–	25,694	25,694	–	25,694
Total recognised income for the year	–	–	–	–	–	–	29,533	25,694	55,227	–	55,227
Issuance of new shares	127,103	416,604	–	–	–	–	–	–	543,707	–	543,707
Share-based payment expenses	–	–	–	–	–	32,282	–	–	32,282	–	32,282
Exercise of share options	3,240	15,828	–	–	–	(3,840)	–	–	15,228	–	15,228
At 31 December 2007	195,186	813,058	19,844	80,103	(19,955)	28,442	36,734	(107,332)	1,046,080	3,896	1,049,976

Notes:

(i) The capital reserve of the Group represents the difference of the share capital and share premium of the subsidiaries and the nominal value of the 880 shares issued by Riche (BVI) Limited (formerly known as Ocean Shores (BVI) Limited) prior to the allotment of 120 shares to Classical Statue Limited and the amount arising from issue of shares by a subsidiary.

(ii) The contributed surplus of the Group represents the net amount transferred from the share premium account and to the accumulated losses account pursuant to the special resolution passed at the special general meeting held on 22 August 2003.

(iii) The special reserve represents the difference between the fair value and the contracted value of consideration in respect of the acquisition of Shinhan-Golden Faith International Development Limited during the year ended 31 December 2006.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit/(loss) before taxation	38,850	(21,099)
Adjustments for:		
Interest income	(2,990)	(4,314)
Dividend income	(78)	(754)
Waiver of secured bank loan interest	(106,956)	—
Increase in fair value of financial assets at fair value through profit or loss	—	(5,360)
Increase in fair value of investment properties	(43,853)	(590)
Finance costs	19,494	9,615
Depreciation of property, plant and equipment	1,158	652
Impairment loss recognised in respect of goodwill	37,828	—
Impairment loss recognised in respect of trade receivables	9	1,050
Impairment loss recognised in respect of prepayments	—	131
Loss on disposal of property, plant and equipment	3	1,956
Reversal of accruals in previous year	—	(200)
Share-based payment expenses	32,282	—
Operating cash flows before movements in working capital	(24,253)	(18,913)
Decrease/(increase) in inventories	12,371	(1,309)
Decrease in film rights deposits	—	14
(Increase)/decrease in trade receivables	(318)	2,755
(Increase)/decrease in deposits, prepayments and other receivables	(12,576)	34,988
Decrease in trade payables	—	(1,714)
Decrease in accruals and other payables	(963)	(41,337)
(Decrease)/increase in receipts in advance	(13,857)	1,335
Increase/(decrease) in amounts due to related companies	95	(34,226)
Cash used in operations	(39,501)	(58,407)
Tax paid	(4,671)	(3,303)
Net cash used in operating activities	(44,172)	(61,710)

	2007	2006
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Interest received	2,990	4,314
Dividend income	78	754
Proceeds from disposals of financial assets at fair value through profit or loss	—	13,461
Proceeds from disposals of property, plant and equipment	220	—
Effect from acquisition of a subsidiary	—	415
Additions to investment properties	(116,960)	(15,852)
Purchase of financial assets at fair value through profit or loss	—	(5,634)
Purchase of property, plant and equipment	(4,908)	(1,156)
Net cash used in investing activities	(118,580)	(3,698)
FINANCING ACTIVITIES		
Interest paid	(19,494)	(9,615)
Issuance of new shares	562,775	—
Repayment of a secured bank loan	5,359	(250,000)
New secured bank loan raised	65,922	250,470
Net cash generated from/(used in) financing activities	614,562	(9,145)
Net increase/(decrease) in cash and cash equivalents	451,810	(74,553)
Effect on foreign exchange rate	16,446	(280)
Cash and cash equivalents at the beginning of the year	63,140	137,973
Cash and cash equivalents at the end of the year	531,396	63,140
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	531,396	63,140

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's principal activity is investment holding and the principal activities of its subsidiaries are set out in note 18 to the financial statements.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning 1 January 2007. A summary of the new HKFRSs is set out as below:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 — Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

The adoption of the above new HKFRSs did not have significant impact on the Group's results and financial position for the current or prior accounting period, except for new disclosures relating to financial instruments made in the consolidated financial statements.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

3. Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company are assessing whether that the application of these standards or amendments would bring any material impact on the consolidated financial statements of the Group:

HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions [3]
HK(IFRIC) – Int 12	Service Concession Arrangements [4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [5]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

4. Summary of Significant Accounting Policies

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

(a) 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 HKFRS, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under historical cost convention except for certain financial assets at fair value through profit or loss and investment properties which are carried at fair value.

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

The Group's books and records are maintained in Hong Kong Dollars ("HK$") as the directors of the Company control and monitor the performance and financial position of the Group in HK$.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

All intra-group transactions, balance, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(c) Revenue recognition

Revenue from distribution of films is recognised when video products or master materials of films are delivered to customers and the title has passed.

Revenue from sub-licensing of film rights is recognised upon delivery of master materials of films to customers.

Proceeds from sales of financial assets at fair value through profit or loss are recognised when sale and purchase contracts became unconditional.

Rental income, including rentals invoiced in advance, from properties under operating lease is recognised on a straight-line basis over the period of the respective leases.

Revenue from sales of property held-for-sale is recognised when legal titles pass to the buyers and therefore the risks and rewards of ownership have been transferred to the buyers.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(d) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(e) 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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than 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 arising on investment in subsidiaries and associates, 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the 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 the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight-line method, over their estimated useful lives. The principal annual rates are as follows:

Leasehold improvements	33.3%
Office equipment	20%
Motor vehicles	20%
Furniture and fixtures	15%

The gain or loss arising from disposal of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the income statement in the year the asset is derecognised.

(g) Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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

(h) Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(i) Goodwill

Goodwill arising on an acquisition of a subsidiary or an associate represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate is included in the cost of the investment of the relevant associate.

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 are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on 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 to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(j) Inventories

Inventories on stock of properties, which are held for trading, are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on the prevailing market conditions.

(k) Financial instruments

The Group classifies its investment in securities in the following categories depends on the purpose of such investment were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables included loan receivables, convertible notes receivables and trade receivables.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets included club membership.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the investments. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Available-for-sale financial assets which fair values could not be determined are carried at cost less accumulated impairment. Loans and receivables and held-to-maturity investments are carried at amortised cost using effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the year in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale financial assets are recognised in equity. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment in securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(o) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at the lower of fair values or the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

(p) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the accounts of Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Hong Kong dollars ("HK$").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Transaction difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(q) Employee benefits

(i) Bonuses

The Group recognises a liability for bonuses when there is a contractual obligation and the amount can be estimated reliably.

(ii) Retirement benefit obligations

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme'') under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% to 10% of the employees' relevant income, with the employees' contributions subject to a cap of monthly relevant income of HK$20,000. The Group's contributions to the MPF Scheme are expensed as incurred. 5% of relevant income vests immediately upon the completion of service in the relevant service period, while the remaining portion vests in accordance with the MPF Scheme's vesting scales. Where employees leave the MPF Scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

(iii) Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the income statement.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity in the balance sheet will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts when the share options are exercised and when the restricted share awards are vested.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(s) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(t) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(u) Financial guarantees issued and provisions

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within creditors and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligations. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

5. Critical accounting estimates and judgements

Estimates and judgements 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 estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates 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) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 4(i) to the financial statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations. Information about the assumptions and the risk factors on impairment of goodwill are stated in note 19 to the financial statements.

(b) Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for impairments are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(c) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plants and equpiment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(d) Estimate of fair values of investment properties

As described in note 17 to the financial statements, the investment properties were revalued at the balance sheet date on market value basis by reference to independent professional valuations. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions at each balance sheet date.

6. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into four operating divisions, namely distribution, sub-licensing, sales of financial assets and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Distribution	Distribution of films
Sub-licensing	Sub-licensing of film rights
Sales of financial assets	Sales of financial assets at fair value through profit or loss
Property investment	Leasing of rental properties

Segment information about these businesses for the years ended 31 December 2007 and 2006 is presented below.

Consolidated income statement for the year ended 31 December 2007

	Distribution	**Sub-licensing**	**Sales of financial assets**	**Property investment**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	—	—	35,822	2,917	38,739
Segment results before impairment loss recognised in respect of goodwill	—	—	7,722	45,912	53,634
Impairment loss recognised in respect of goodwill	—	—	—	(37,828)	(37,828)
Segment results	—	—	7,722	8,084	15,806
Unallocated corporate income					110,161
Unallocated corporate expenses					(67,623)
Profit from operations					58,344
Finance costs					(19,494)
Profit before taxation					38,850
Taxation					(13,156)
Profit for the year attributable to equity holders of the Company					25,694

Consolidated balance sheet at 31 December 2007

	Distribution	Sub-licensing	Sales of financial assets	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	738	11,264	4,509	1,021,270	1,037,781
Unallocated corporate assets					504,671
Consolidated total assets					1,542,452
Liabilities					
Segment liabilities	—	2,669	718	55,660	59,047
Unallocated corporate liabilities					433,429
Consolidated total liabilities					492,476

Other segment information for the year ended 31 December 2007

	Distribution	Sub-licensing	Sales of financial assets	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	17	—	—	121,850	121,867
Depreciation	563	—	—	595	1,158
Impairment losses recognised	—	—	—	37,837	37,837

Consolidated income statement for the year ended 31 December 2006

	Distribution *HK$'000*	Sub-licensing *HK$'000*	Sales of financial assets *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Turnover	164	200	15,229	1,883	17,476
Segment results	74	23	1,768	2,203	4,068
Unallocated corporate income					11,259
Unallocated corporate expenses					(26,811)
Loss from operations					(11,484)
Finance costs					(9,615)
Loss before taxation					(21,099)
Taxation					(195)
Loss for the year attributable to equity holders of the Company					(21,294)

Consolidated balance sheet at 31 December 2006

	Distribution *HK$'000*	Sub-licensing *HK$'000*	Sales of financial assets *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Assets					
Segment assets	804	7,593	32,156	815,360	855,913
Unallocated corporate assets					66,315
Consolidated total assets					922,228
Liabilities					
Segment liabilities	—	3,051	367	50,972	54,390
Unallocated corporate liabilities					464,306
Consolidated total liabilities					518,696

Other segment information for the year ended 31 December 2006

	Distribution *HK$'000*	Sub-licensing *HK$'000*	Sales of financial assets *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Capital expenditures	1,115	—	23	15,870	17,008
Depreciation	143	1	468	40	652
Impairment losses recognised	1,195	—	—	—	1,195

Geographical segments

The Group mainly operates in Hong Kong, Macau and The People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover and segment results by geographical market, irrespective of the origin of goods and services.

	Turnover		**Segment results**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong and Macau	35,822	15,393	7,722	1,842
The PRC	2,917	2,083	8,084	2,226
	38,739	17,476	15,806	4,068

The following is an analysis of the carrying amounts of segment assets and segment liabilities, capital expenditures and depreciation, analysed by geographical area in which the assets and liabilities located:

	Segment assets		**Segment liabilities**		**Capital expenditures**		**Depreciation**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong and Macau	5,247	32,960	718	367	17	1,138	563	611
The PRC	1,032,534	822,953	58,329	54,023	121,850	15,870	595	41
	1,037,781	855,913	59,047	54,390	121,867	17,008	1,158	652

7. Turnover

	2007	**2006**
	HK$'000	*HK$'000*
Distribution of films	—	164
Sub-licensing of film rights	—	200
Sales of financial assets at fair value through profit or loss	35,822	15,229
Rental income	2,917	1,883
	38,739	17,476

8. Other revenue and other income

	2007	2006
	HK$'000	*HK$'000*
Other revenue		
Dividend income from financial assets at fair value through profit or loss	78	754
Interest income on bank deposits	2,990	4,314
Sundry income	137	631
	3,205	5,699
Other income		
Waiver of secured bank loan interest	106,956	—
Unrealised gain on change in fair value of financial assets at fair value through profit or loss	—	5,360
Reversal of accruals in previous years	—	200
	106,956	5,560

9. Profit/(loss) from operations

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) from operations has been arrived after charging/ (crediting):		
Auditors' remuneration	600	600
Cost of inventories sold	—	89
Depreciation of property, plant and equipment	1,158	652
Impairment loss recognised in respect of trade receivables	9	1,050
Impairment loss recognised in respect of film right deposits	—	14
Impairment loss recognised in respect of prepayments	—	131
Loss on disposal of property, plant and equipment	3	1,956
Operating lease rental in respect of rented premises	2,315	1,710
Share-based payment expenses in respect of consultancy services	6,370	—
Staff costs including directors' emoluments		
— Salaries	8,349	7,258
— Contribution to retirement benefits scheme	114	117
— Share based-payment expenses	25,912	—
	34,375	7,375
Unrealised gain on change in fair value of financial assets at fair value through profit or loss	—	(5,360)

10. Finance costs

	2007	2006
	HK$'000	*HK$'000*
Interest expenses on borrowings wholly repayable within five years:		
— loan payable	—	100
— secured bank loans	19,494	9,515
	19,494	9,615

11. Directors' emoluments

The board of directors of the Company is currently composed of two executive directors and three independent non-executive directors.

The aggregate amount of emoluments payable to the directors of the Company during the year was HK$360,000 (2006: HK$360,000). The remuneration of each director for the years ended 31 December 2007 and 2006 is as below:

Name of director	Fees		Salaries and bonuses		Mandatory provident fund		Share-based payment expenses		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Heung Wah Keung	—	—	—	—	—	—	—	—	—	—
Ms. Chen Ming Yin, Tiffany	—	—	—	—	—	—	—	—	—	—
Mr. Tang Chak Lam, Gilbert	120	120	—	—	—	—	—	—	120	120
Mr. Ho Wai Chi, Paul	120	120	—	—	—	—	—	—	120	120
Mr. Lien Wai Hung	120	120	—	—	—	—	—	—	120	120
	360	360	—	—	—	—	—	—	360	360

12. Five highest paid individuals

The emoluments paid to the five highest paid individuals of the Group during the year were as follow:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other allowances	4,773	4,545
Contributions to retirement benefits scheme	48	48
Share-based payment expenses	7,289	—
	12,110	4,593

None (2006: Nil) of the five highest paid individuals of the Group was the directors of the Company. Their emoluments were within the following bands:

	Number of employees	
	2007	**2006**
Nil – HK$1,000,000	—	3
HK$1,000,001 – HK$1,500,000	—	1
HK$1,500,001 – HK$2,000,000	1	1
HK$2,000,001 – HK$2,500,000	3	—
HK$3,500,001 – HK$4,000,000	1	—

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

13. Taxation

	2007	**2006**
	HK$'000	*HK$'000*
Deferred taxation *(note 32)*	13,156	195

No provision for Hong Kong Profits Tax or the PRC Corporate Income Tax has been made for the years ended 31 December 2007 and 2006 as the Group either has no estimated assessable profits or its estimated assessable profits are wholly absorbed by the estimated tax losses brought forward.

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

	2007		**2006**	
	HK$'000	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	38,850		(21,099)	
Taxation at income tax rate of 17.5%	6,799	17.5	(3,692)	17.5
Effect of different tax rates of subsidiaries operating in other jurisdiction	11,944	30.7	—	—
Tax effect of income that is not taxable in determining taxable profit	(9,809)	(25.2)	(10,628)	50.4
Utilitsation of tax losses previously not recognised	(17,700)	(45.5)	—	—
Tax effect of expenses that are not deductible in determining taxable profit	6,620	17.0	1,833	(8.7)
Tax losses not yet recognised	2,146	5.5	12,487	(59.2)
Increase in deferred tax	13,156	33.9	195	(0.9)
Taxation charge for the year	13,156	33.9	195	(0.9)

14. Earnings/(loss) per share

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

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company for the purposes of basic and diluted earnings/(loss) per share	25,694	(21,294)
	'000	*'000*
Number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	1,029,407	648,434

The weighted average number of ordinary shares for the year ended 31 December 2006 for the purposes of basic and diluted loss per share has been adjusted to take into the effect of the share consolidation that became effective on 21 May 2007. Details of the share consolidation are set out in note 26(i) to the financial statements.

Diluted earnings/(loss) per share for the years ended 31 December 2007 and 2006 were the same as the basic earnings/(loss) per share. The Company's outstanding share options were not included in the calculation of diluted earnings/(loss) per share because the effect of the Company's outstanding share options was anti-dilutive.

15. Dividend

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2007 (2006: nil).

16. Property, plant and equipment

The Group

	Leasehold improvements *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Furniture and fixtures *HK$'000*	Total *HK$'000*
Cost					
At 1 January 2006	2,175	4,071	1,633	2,128	10,007
Additions	1,115	41	—	—	1,156
Acquisition of a subsidiary	—	1,926	—	—	1,926
Disposals	(909)	(5,297)	—	(1,030)	(7,236)
Exchange alignments	—	20	—	—	20
At 31 December 2006 and at 1 January 2007	2,381	761	1,633	1,098	5,873
Additions	—	4,907	—	—	4,907
Disposals	—	(562)	(376)	—	(938)
Exchange alignments	—	8	—	—	8
At 31 December 2007	2,381	5,114	1,257	1,098	9,850
Accumulated depreciation					
At 1 January 2006	1,957	2,709	787	1,136	6,589
Charge for the year	223	155	169	105	652
Acquisition of a subsidiary	—	1,446	—	—	1,446
Elimination on disposals	(873)	(3,831)	—	(576)	(5,280)
Exchange alignments	—	(2)	—	—	(2)
At 31 December 2006 and at 1 January 2007	1,307	477	956	665	3,405
Charge for the year	358	608	127	65	1,158
Elimination on disposals	—	(423)	(292)	—	(715)
Exchange alignments	—	2	—	—	2
At 31 December 2007	1,665	664	791	730	3,850
Net book value					
At 31 December 2007	716	4,450	466	368	6,000
At 31 December 2006	1,074	284	677	433	2,468

17. Investment properties

	2007	**2006**
	HK$'000	*HK$'000*
At 1 January	678,000	—
Acquisition of a subsidiary	—	641,982
Additions	101,347	15,852
Exchange alignments	48,637	19,576
Transfer from inventories	15,613	—
Increase in fair value recognised in the consolidated income statement	43,853	590
At 31 December	887,450	678,000

The fair value of the Group's investment properties at 31 December 2007 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Hong Kong Institute of Valuers, has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

The fair value of investment properties shown above comprise:

	2007	**2006**
	HK$'000	*HK$'000*
Outside Hong Kong		
Long-term leases	887,450	678,000

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.

Certain of the Group's investment properties of approximately HK$852,081,000 have been pledged to secure banking facilities granted to the Group.

The following table sets forth the Group's investment properties as at 31 December 2007:

Location	**Approx. gross floor area (square meter)**	**Usage**	**Category of the lease term**	**Group interest**
北京市東城區貢院西街9號 Main Building 1/F., 2/F., 3/F. – 19/F. Units Nos. 1507, 1606, 1610, 1611, 1710, 1711, 1801, 1811, 1906 and 1907 and 146 Car Parking Spaces at B1 – B3	40,222.66	Retail, apartment and car parking	Long	96.7%
北京市東城貢院西街9號 Ancillary Building 1/F., 2/F., 3/F – 5/F and Club	2,924.97	Retail, studio units and club	Long	96.7%

18. Interests in subsidiaries

	The Company	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	83,553	83,553
Impairment losses recognised	(83,553)	(83,553)
	—	—
Amounts due from subsidiaries	709,207	562,170
Impairment losses recognised	(704,334)	(520,346)
	4,873	41,824

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors of the Company, the carrying amounts of the amounts due from subsidiaries at 31 December 2007 approximate to their fair values.

The carrying amounts of the interests in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of amounts due to subsidiaries approximate to their fair values.

Details of the Company's subsidiaries at 31 December 2007 are set out as follows:

Name of subsidiary	Country/ place of incorporation	Particulars of issued share capital/ registered capital	Principal activities
Beijing Jianguo Real Estate Development Co., Limited	British Virgin Islands	1 ordinary share of US$1	Dormant
Best Season Holdings Corp	British Virgin Islands	100 ordinary shares of US$1 each	Dormant
Bluelagoon Investment Holdings Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding, sales of financial assets, distribution of films and sub-licensing of film rights in the PRC
Dragon Leader Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding
Gainful Fortune Limited	British Virgin Islands	160,000,100 ordinary shares of HK$1 each	Holding of film rights

Name of subsidiary	Country/ place of incorporation	Particulars of issued share capital/ registered capital	Principal activities
Legend Rich Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding
Ocean Shores Licensing Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	Holding of film rights outside Hong Kong
Rich Joy Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	Dormant
Riche Advertising Limited	British Virgin Islands	1 ordinary share of US$1	Sales of financial assets
Riche (BVI) Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	Investment holding in Hong Kong
Riche Distribution Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	Sub-licensing of film rights in Hong Kong and sales of financial assets
Riche International (Macao Commercial Offshore) Limited	Macau	1 share of MOP100,000	Distribution of films and sub-licensing of film rights in the PRC
Riche Multi-Media Limited	Hong Kong	2 ordinary shares of HK$1 each	Distribution of films and other video features in the PRC
Riche Pictures Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding in Hong Kong
Riche Video Limited	Hong Kong	10 ordinary shares of HK$100 each 20,000 non-voting deferred shares of HK$100 each*	Distribution of video products in Hong Kong
Shinhan-Golden Faith International Development Limited	British Virgin Islands	10,000,000 ordinary shares of US$1 each	Investment holding in the PRC
Stable Income Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	Dormant

Name of subsidiary	Country/ place of incorporation	Particulars of issued share capital/ registered capital	Principal activities
World East Investments Limited	British Virgin Islands	1 ordinary share of US$1	Distribution of films and sub-licensing of film rights in the PRC through a PRC agent
北京建國房地產開發有限公司 ("Beijing Jianguo Real Estate Development Co. Ltd")	The PRC	Registered capital of US$15,000,000	Property investment in the PRC

* *The non-voting deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.*

The Company directly holds the interest in Riche (BVI) Limited. All other subsidiaries are indirectly held by the Company.

All of the subsidiaries are wholly-owned by the Company, except 北京建國房地產開發有限公司 ("Beijing Jianguo") in which the Company holds 96.7% equity interest and Best Season Holdings Corp. was 75% owned by the Group.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

19. Goodwill

	The Group
	HK$'000
Cost	
At 1 January 2006	40,128
Acquisition of a subsidiary	77,284
At 31 December 2006, 1 January 2007 and 31 December 2007	117,412
Accumulated impairment	
At 1 January 2006, 31 December 2006 and 1 January 2007	40,128
Impairment loss recognised	37,828
At 31 December 2007	77,956
Carrying amounts	
At 31 December 2007	39,456
At 31 December 2006	77,284

On 21 June 2006, the Group acquired 100% of the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and the debts owed by Shinhan-Golden to Northbay Investments Holdings Limited ("Northbay"). The total consideration of the acquisition at fair value was approximately HK$246,109,000. As a result, a goodwill of approximately HK$77,284,000 arose from the acquisition of Shinhan-Golden.

Impairment of goodwill

Goodwill arising from the acquisition of Shinhan-Golden has been allocated to the leasing of rental property, which is property investment segment and is the cash-generating units ("CGU") identified.

During the year, the directors of the Company reassessed the recoverable amount of the CGU with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuers, and determined that an impairment loss in respect of goodwill of approximately HK$37,828,000 was recognised (2006: Nil).

The recoverable amount of the CGU was assessed by reference to value-in-use calculation. A discount rate of 15.43% per annum was applied in the value-in-use model which uses cash flow projection based on financial forecasts approved by the directors of the Company (the "Approved Forecast") covering a ten-year period. Cash flows beyond the ten-year period have been extrapolated using a steady 7% growth rate. The growth rate is made by reference to National Bureau of Statistics of China and does not exceed the long-term average growth rate for the market in which the CGU operates. There are a number of assumptions and estimates involved for the preparation of the cash flow projection for the period covered by the Approved Forecast. Key assumptions include gross margin, growth rate and discount rate which are determined by 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 ten-year budgeted period and is consistent with the Approved Forecast. The discount rate used is pre-tax and reflects specific risks relating to the market.

20. Inventories

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Properties held-for-sale	32,783	45,154

Properties held-for-sale solely comprised of certain units of apartments held by Beijing Jianguo, a subsidiary of Shinhan-Golden, of which sale and purchase agreements were entered into and full considerations have been received by Beijing Jianguo in respect of these units of apartments (note 29 to the financial statements). However, the transfer of legal titles of these units of apartments have not yet been completed at the date of approval of the financial statements.

21. Trade receivables

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables	1,254	1,986
Less: impairment loss recognised in respect of trade receivables	(9)	(1,050)
	1,245	936

The following is an aged analysis of the trade receivables net of impairment loss at the balance sheet date:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
0 – 30 days	213	—
31 – 60 days	424	—
61 – 90 days	106	—
Over 90 days	502	936
	1,245	936

The Group allows an average credit period of 90 days to its customers.

Aging of trade receivables which are past due but not impaired:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
0 – 30 days	—	—
31 – 60 days	—	—
61 – 90 days	—	—
Over 90 days	502	936
	502	936

At 31 December 2007, trade receivables of HK$502,000 were past due but not impaired. The Group is in negotiation with those customers for settlement of these debts. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality on these balances.

Aging of impaired trade receivables:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
0 – 30 days	2	—
31 – 60 days	5	—
61 – 90 days	1	—
Over 90 days	1	1,050
	9	1,050

The carrying amounts of trade receivables approximate to their fair values.

22. Deposits, prepayments and other receivables

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	2,529	9,356	1,350	1,801
Prepayments	25,207	1,842	550	—
Other receivables	4,094	8,187	350	—
	31,830	19,385	2,250	1,801
Less: Impairment loss recognised in respect of prepayments	—	(131)	—	—
	31,830	19,254	2,250	1,801

The carrying amounts of deposits, prepayments and other receivables approximate to their fair values.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of deposits, prepayments and other receivables.

23. Financial assets at fair value through profit or loss

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Equity securities		
— listed in Hong Kong, at market value	—	28,100

During the year, the net gain on change in fair value of financial assets at fair value through profit or loss is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Unrealised	—	5,360
Realised	7,722	1,768
Total net gain on change in fair value of financial assets at fair value through profit or loss	7,722	7,128

Fair values of listed equity securities have been determined by reference to the quoted market bid prices available on the relevant stock exchanges.

24. Tax prepayments

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Tax reserve certificates	3,055	3,055
Tax paid in advance	9,065	4,665
	12,120	7,720

Tax reserve certificates bear interest rate at 2.33% to 2.68% (2006: 2.60% to 2.85%) per annum.

25. Cash and cash equivalents

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits with banks and other financial institutions	463,391	52,097	463,391	52,097
Cash at bank and in hand	68,005	11,043	26,147	3,765
Cash and cash equivalents per cash flow statement	531,396	63,140	489,538	55,862

The effective interest rates of deposits in banks and other financial institutions for the year were 2.2% to 4.3% (2006: 3% to 4.8%).

At 31 December 2007, cash and cash equivalents of HK$39,133,000 (2006: HK$5,798,000) are denominated in Renminbi. Renminbi is not freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC Government.

26. Share capital

Movements in the share capital of the Company during the year were as follows:

	Number of shares		Share capital	
	2007	**2006**	**2007**	**2006**
	'000	*'000*	*HK$'000*	*HK$'000*
Ordinary shares of HK$0.1 each (2006: HK$0.01)				
Authorised:				
At 1 January	20,000,000	20,000,000	200,000	200,000
Share consolidation *(note i)*	(18,000,000)	—	—	—
Increase in authorised share capital *(note ii)*	4,000,000	—	400,000	—
At 31 December	6,000,000	20,000,000	600,000	200,000
Issued and fully paid:				
At 1 January	6,484,340	5,154,018	64,843	51,540
Issuance of new shares *(note iii)*	—	1,330,322	—	13,303
Issuance of new shares *(note iv)*	1,296,860	—	12,969	—
Exercise of share options *(note v)*	324,000	—	3,240	—
Share consolidation *(note i)*	(7,294,680)	—	—	—
Issuance of new shares *(note vi)*	155,620	—	15,562	—
Issuance of new shares *(note vii)*	162,100	—	16,210	—
Issuance of new shares *(note viii)*	173,000	—	17,300	—
Issuance of new shares *(note ix)*	650,620	—	65,062	—
At 31 December	1,951,860	6,484,340	195,186	64,843

Notes:

(i) At the general meeting of the Company held on 18 May 2007, a resolution was passed to approve, among other things, the share consolidation on the basis of every ten shares of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one share of HK$0.10 each in the issued and unissued share capital of the Company. The share consolidation became effective on 21 May 2007.

(ii) At the general meeting of the Company held on 11 December 2007, a resolution was passed to approve the increase authorised share capital of the Company from HK$200,000,000 divided into 2,000,000,000 shares of HK$0.10 each to HK$600,000,000 divided into 6,000,000,000 shares of HK$0.10 each by the creation of 4,000,000,000 new shares of HK$0.10 each.

(iii) On 21 June 2006, 1,330,321,745 new shares of HK$0.01 each were allotted and issued to Northbay at a price of HK$0.20 per share to settle the consideration of HK$266,064,350 in respect of the acquisition of the entire issued share capital of Shinhan-Golden and the debts owed by Shinhan-Golden to Northbay.

(iv) On 30 March 2007, 1,296,860,000 new shares of HK$0.01 each were allotted and issued to Classical Statute Limited, a substantial shareholder of the Company, at a price of HK$0.04 per share pursuant to the placing and subscription agreements dated 19 March 2007. The net proceeds of approximately HK$50,500,000 were intended to be used for financing possible diversified investment of the Group and general working capital of the Group.

(v) On 17 May 2007, the Company allotted and issued 324,000,000 new shares of HK$0.01 each pursuant to the exercise of share options granted to the Group's employees and consultants. The exercise price was HK$0.047 per share.

(vi) On 31 May 2007, 155,620,000 new shares of HK$0.10 each were allotted and issued at a price of HK$0.55 per share. The net proceeds of approximately HK$83,300,000 were intended to be used for investment in other relevant business opportunities that may arise in the future and for general working capital of the Group.

(vii) On 11 July 2007, 162,100,000 new shares of HK$0.10 each were allotted and issued at a price of HK$0.50 per share by way of placing of new shares under general mandate. The net proceeds of HK$78,900,000 were intended to be used for expansion of the Group's property investment business.

(viii) On 7 August 2007, 173,000,000 new share of HK$0.10 each were allotted and issued at a price of HK$0.83 per share by way of top-up placing. The net proceeds of HK$139,800,000 were intended to be used for expansion of the Group's property investment business.

(ix) On 18 December 2007, 650,619,987 new shares of HK$0.10 each were issued at a price of HK$0.30 per share by way of open offer to the qualifying shareholders on the basis of one offer share for every two existing shares. The net proceeds of HK$189,000,000 were intended to be used for the proposed acquisition of 100% equity interest in Modern Vision (Asia) Limited as disclosed in the Company's announcement dated 23 July 2007 and circular dated 5 November 2007 and general working capital of the Group.

27. Reserves

The Company

	Share premium	Contributed surplus	Accumulated losses	Share-based payment reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	127,865	*163,456	(243,842)	—	47,479
Issuance of new shares	252,761	—	—	—	252,761
Net loss for the year	—	—	(274,532)	—	(274,532)
At 31 December 2006 and 1 January 2007	380,626	*163,456	(518,374)	—	25,708
Issuance of new shares	416,604	—	—	—	416,604
Share-based payment expenses	—	—	—	32,282	32,282
Exercise of share options	15,828	—	—	(3,840)	11,988
Net loss for the year	—	—	(223,636)	—	(223,636)
At 31 December 2007	813,058	*163,456	(742,010)	28,442	262,946

* The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition as well as the net amount transferred from share premium account and to accumulated losses account pursuant to a special resolution passed at the special general meeting on 22 August 2003.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account 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:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

28. Accruals and other payables

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	5,646	2,965	943	233
Other payables	6,769	11,203	—	—
Tax payables	6,830	6,040	—	—
	19,245	20,208	943	233

Note:

(i) The tax payable represented provision for land appreciation tax on certain units of apartments sold by Beijing Jianguo prior to 2003 (note 20 to the financial statements). According to the PRC tax law and regulation, 30% of land appreciation tax was accrued in the financial statements.

The carrying amounts of accruals and other payables approximate to their fair values.

29. Receipts in advance

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Trade deposit received	484	483
Receipts in advance	46,557	60,415
	47,041	60,898

At 31 December 2007, receipts in advance represented the full amount of considerations received from sales of certain units of apartments, details of which are set out in note 20 to the financial statements. Since the transfer of legal titles of these units of apartments have not yet been completed at the date of the approval of the financial statements, no revenue could be recognised for the year and the total amount was recorded as receipts in advance.

30. Amounts due to related companies

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
China Star Entertainment Limited and its subsidiaries	701	606

Note:

(i) The amounts due to China Star Entertainment Limited ("China Star") and its subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

31. Secured bank loans

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Secured bank loans	329,018	357,427

The maturity of the above borrowings is as follows:

Within one year	27,533	5,470
Between one and two years	64,308	25,000
Between two and five years	237,177	326,957
Over five years	—	—
	329,018	357,427
Less: Amount due within one year shown under current liabilities	(27,533)	(5,470)
Amount due after one year	301,485	351,957

The secured bank loans bear interest at rates ranging from 6.16% to 7.35% (2006: 6.16% to 6.41%) per annum.

All of the Group's secured bank loans are denominated in Renminbi.

The secured bank loans were secured by certain of the Group's investment properties in the PRC with fair value of approximately HK$852,081,000 (2006: HK$678,000,000) and the Group's bank deposits with balance of approximately HK$16,832,000 (2006: Nil).

The carrying amounts of the secured bank loans approximate to their fair values.

32. Deferred taxation

The followings are the major deferred tax liabilities and assets recognised by the Group and movements thereon:

	Accelerated tax depreciation *HK$'000*	Estimated tax losses *HK$'000*	Revaluation of investment properties *HK$'000*	Total *HK$'000*
At 1 January 2006	254	(254)	—	—
Acquisition of a subsidiary	—	—	54,488	54,488
Exchange alignments	—	—	1,634	1,634
Charge to income statement for the year *(note 13)*	—	—	195	195
At 31 December 2006 and 1 January 2007	254	(254)	56,317	56,317
Exchange alignments	—	—	4,029	4,029
Charge to income statement for the year *(note 13)*	—	—	13,156	13,156
At 31 December 2007	254	(254)	73,502	73,502

At 31 December 2007, the Group had unused estimated tax losses of approximately HK$21,112,000 (2006: HK$80,960,000) available for offset against future profits. The unrecognised tax losses may be carried forward indefinitely. A deferred tax asset of approximately HK$254,000 (2006: HK$254,000) has been recognised. No deferred tax asset has been recognised in respect of the remaining balance of approximately HK$6,778,000 (2006: HK$14,422,000) due to the unpredictability of future profit streams.

33. Acquisition of a subsidiary

The Group had no acquisition for the year ended 31 December 2007.

On 21 June 2006, the Group acquired the entire issued share capital of Shinhan-Golden and the debts owed by Shinhan-Golden to Northbay for a consideration of approximately HK$266,064,000. The consideration was settled by the issue of 1,330,322,745 ordinary shares of HK$0.01 each in the share capital of the Company, which were allotted, issued and credited as fully paid at a price of HK$0.20 per share. The aggregate amount of goodwill arising as a result of the acquisition was approximately HK$77,284,000.

The fair value of net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount before combination *HK$'000*	Fair value adjustments *HK'000*	Fair value *HK$'000*
Property, plant and equipment	480	—	480
Investment properties *(note i)*	483,802	158,180	641,982
Trade receivables	12	—	12
Inventories	43,839	—	43,839
Deposits, prepayments and other receivables	171	—	171
Cash and cash equivalents	415	—	415
Accruals and other payables	(54,126)	—	(54,126)
Receipts in advance	(59,080)	—	(59,080)
Secured bank loans	(346,484)	—	(346,484)
Minority interests	(3,896)	—	(3,896)
Deferred taxation	—	(54,488)	(54,488)
Net assets required	65,133	103,692	168,825
Goodwill on acquisition			77,284
			246,109
Special reserve *(note ii)*			19,955
			266,064
Fair value of purchase consideration settled by issuance of new shares *(note iii)*			246,109
Net cash flow from acquisition of a subsidiary:			
Cash paid			—
Cash and cash equivalents acquired			415
			415

Notes:

(i) The fair value of the investment properties was determined based on the valuation performed by DTZ Debenham Tie Leung Limited, an independent firm of qualified valuers and not connected with the Group, as at the acquisition date.

(ii) The difference between the fair value and the contracted value of consideration paid in respect of the acquisition of the acquired subsidiary.

(iii) The fair value of the consideration shares was determined based on the quoted closing price of the Company's share of HK$0.185 per share at the date of acquisition and 1,330,322,745 consideration shares.

Details of the acquisition were disclosed in the Company's circular dated 19 May 2006.

If the acquisition had been completed on 1 January 2006, total group turnover for the year 2006 would have been HK$19,803,000, and loss for the year 2006 would have been HK$21,867,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

34. Commitments

(a) Lease commitments

As lessee

At 31 December 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	1,856	1,332
In the second to fifth year inclusive	341	1,646
	2,197	2,978

Operating lease payments represented rentals payable by the Group for its office premises. Leases are mainly negotiated for an average term of two years and rentals are fixed for an average of two years.

As lessor

At 31 December 2007, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of the Group's investment, which fall due as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	—	2,700

At the balance sheet date, the Company did not have any lease commitments.

(b) Other commitments

(i) At 31 December 2007, the Group had other commitments contracted but not provided for in the financial statements:

	2007	**2006**
	HK$'000	*HK$'000*
Acquisition of a 100% interest in the issued share capital of Exceptional Gain Profits Limited and a sale loan	447,000	—
Acquisition of a 3.3% interest in registered capital of Beijing Jianguo	4,538	—
Renovation work in respect of the Group's investment properties	28,750	63,739

(ii) Pursuant to the undertaking letters issued by the owners of 上海昇平文化發展有限公司 during the year ended 31 December 2003, they will transfer their ownership in the registered capital of 上海昇平文化發展有限公司 to the Group at a price to be determined by the valuers in the PRC when the laws in the PRC allow foreign investors to own more than 51% in the registered capital of 上海昇平文化發展有限公司.

(iii) Pursuant to a facility agreement dated 11 May 2007 entered into between Rich Joy Investments Limited, a wholly-owned subsidiary of the Company, and Best Season Holdings Corp. ("Best Season"), a 75% owned subsidiary of the Group, Rich Joy Investments Limited has agreed to grant Best Season a revolving facility of up to HK$200,000,000 for the purpose of its business and working capital requirements. At the balance sheet date, Best Season had not drawn down the facility.

35. Contingencies

Save as disclosed in note 37 to the financial statements, the Group has no material contingent liabilities at 31 December 2007.

36. Banking facilities

The Group's secured bank loans of approximately HK$329,018,000 (2006: HK$357,427,000) at 31December 2007 were secured by:

(a) Legal charges over certain of the Group's investment properties with the fair value of approximately HK$852,081,000 (2006: HK$678,000,000);

(b) Legal charges over the Group's bank deposits with balance of approximately HK$16,832,000 (2006: Nil); and

(c) Corporate guarantee provided by the Company.

37. Litigation

At 31 December 2007, save as disclosed below, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the directors to be pending or threatened against any member of the Group:

The Commissioner of Inland Revenue had issued proceedings on 30 March 2005 against Ocean Shores Licensing Limited ("OSLL"), a wholly owned subsidiary of the Company, in respect of an aggregate amount of outstanding taxation of HK$13,928,226 for the estimated assessments for the years of assessments from 1998/1999 to 2000/2001. In February 2008, OSLL had reached a compromise settlement with the Inland Revenue Department for settling the outstanding tax for the years of assessments from 1998/1999 to 2000/2001 in amount of HK$11,089,000, including interest and surcharge. Such amount has been properly accrued for in the Company's audited consolidated financial statements for the year ended 31 December 2007.

38. Share-based payment transactions

The Company's share option scheme (the "Option Scheme"), was adopted on 21 January 2002 to replace the share option scheme adopted by the Company on 19 January 2000, and will expire on 20 January 2012. The purpose of the Option Scheme is to enable the board of directors of the Company to grant share options to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group.

Under the Option Scheme, the board of directors of the Company may grant share options to the following eligible persons:

(i) any director or proposed director, employee or proposed employee of, or any individual for the time being seconded to work for, any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.

(ii) any holder of any securities issued by any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.

(iii) any business or joint venture partner, contractor, agent or representative of,

  (a) any person of entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to,

  (b) any supplier, producer or licensor of films, television programmes, video features, goods or services to,

  (c) any customer, licensee (including any sub-licensee) or distributor of films, television programmes, video features, goods or services of, or

  (d) any landlord or tenant (including any sub-tenant) of,

any member of the Group or any controlling shareholder or a company controlled by a controlling shareholder.

The maximum number of shares which may be issued upon exercise of all share options to be granted by the Company under the Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the Option Scheme. Such limit may be refreshed by shareholders in general meeting from time to time. The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Options Scheme and any other share option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time.

The maximum number of shares issued or to be issued upon exercise of share options granted under the Option Scheme and any share option schemes of the Company to any eligible person in any 12 months period shall not exceed 1% of the Company's shares in issue. Any further grant in excess of such limit must be separately approved by shareholders with such eligible person and his associates abstaining from voting.

Any grant of share options to a director, chief executive or substantial shareholder of the Company (or any of their associates) must be approved by independent non-executive directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive directors of the Company (or any of their associates) in excess of 0.1% of the Company's shares in issue and having an aggregate value in excess of HK$5,000,000, in any 12 months period, is required to be approved by shareholders in general meeting in accordance with the Listing Rules.

An offer of the grant of share options must be accepted within 30 days inclusive of the day on which such offer is made, with a payment of HK$1.00 by the grantee to the Company. The exercise period of the share options granted is determinable by the board of directors, but in any event shall not exceed ten years from the date of grant.

The exercise price of share options is determined by the board of directors provided always that it shall be at least the highest of:

(i) the Stock Exchange closing price of the Company's share on the date of grant, which must be a business day; and

(ii) the average Stock Exchange closing price of the Company's share for the five business days immediately preceding the date of grant, provided that the exercise price per share shall in no event be less than the nominal value of the Company's share.

The following table discloses movements of the Company's share options during the year:

Category of eligible persons	Date of grant	Exercise period	Exercise price per share before completion of open offer	Exercise price per share after completion of open offer	Outstanding at 1.1.2007	Granted during 2007	Exercised during 2007	Adjustment for the open offer	Outstanding at 31.12.2007
Employees	8.3.2002	8.3.2002 to 7.3.2012	HK$2.60	HK$2.615	19,000,000 *(Note ii)*	—	—	(106,742)	18,893,258
Employees	13.12.2004	13.12.2004 to 12.12.2014	HK$1.94	HK$1.951	27,570,000 *(Note ii)*	—	—	(154,888)	27,415,112
Employees and consultants	22.3.2007	22.3.2007 to 21.3.2017	HK$0.47	HK$0.473	—	47,520,000 *(Note ii)*	(32,400,000)	(84,944)	15,035,056
Employees and consultants	31.5.2007	31.5.2007 to 30.5.2017	HK$0.70	HK$0.704	—	79,129,000	—	(444,545)	78,684,455
Employees and consultants	11.7.2007	11.7.2007 to 10.7.2009	HK$0.63	HK$0.634	—	98,536,994	—	(553,579)	97,983,415
					46,570,000	225,185,994	(32,400,000)	(1,344,698)	238,011,296
Exercisable at the end of the year									238,011,296

Notes:

(i) The exercise period commenced on the date of grant.

(ii) The number of share options has been adjusted for the share consolidation that became effective on 21 May 2007.

(iii) The closing price of the Company's share on 17 May 2007, the date on which the share options were exercised, was HK$0.87 per share.

The fair value of the share options granted in the year ended 31 December 2007 was HK$32,282,000 which has been expensed as share-based payment expenses during the year.

The fair values of the share options granted on 22 March 2007 and 31 May 2007 were measured, using Black Scholes Model, by BMI Appraisals Limited. The fair value of the share options granted on 11 July 2007 was measured, using a binominal option pricing model, by Grant Sherman Appraisal Limited. The following table lists the inputs to the models used:

		Date of grant	
	22 March 2007	**31 May 2007**	**11 July 2007**
Option life	10 years	10 years	2 years
Grant date share price	HK$0.42	HK$0.70	HK$0.63
Exercise price	HK$0.47	HK$0.70	HK$0.63
Expected volatility (%)	71.37%	76.53%	85.12%
Expected lives of share options	1 month	3 months	2 years
Dividend yield (%)	0%	0%	0%
Risk-free interest rate	3.629%	4.017%	4.236%

The expected lives of share options are based on the historical data over the past five years and are not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

At 31 December 2007, the Company had 238,011,296 share options outstanding under the Option Scheme (2006: 465,700,000), representing 12.19% (2006: 7.18%) of the existing issued share capital of the Company.

39. Retirement benefits schemes

With effect from 1 December 2000, the Group has set up a defined contribution retirement scheme, the Mandatory Provident Fund Scheme (the "MPF Scheme"), for all the eligible employees of the Group. The Group did not provide retirement benefits for its employees prior to set up of the MPF Scheme.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to maximum of HK$1,000 per employee and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of each employee's monthly salaries up to a maximum of HK$1,000 (the "Mandatory Contribution"). The employees are entitled to 100% of the employer's Mandatory Contribution upon their retirement at the age of 65 years old, death or total incapacity.

40. Material related party transactions

(a) Save as disclosed elsewhere in these financial statements, the Group had entered into the following material related party transactions with China Star and its subsidiaries:

Name of company	**Nature of transaction**	**2007** *HK$'000*	**2006** *HK$'000*
Paid or payable to:			
1. China Star	Salaries	(1,300)	(1,118)
2. China Star	Interest expense on loan	—	(100)
3. China Star Production Services Limited	Post-production services expenses	—	(90)
4. China Star	Repayment of loan	—	(33,800)
5. China Star	Amount due by the Group	(700)	(602)
6. China Star Laser Disc Company Limited	Amount due by the Group	(1)	—
7. China Star International Distribution Limited	Amount due by the Group	—	(2)
8. China Star Production Services Limited	Amount due by the Group	—	(2)
Received or receivable from:			
9. China Star HK Distribution Limited	Sub-licensing income	—	200

In addition to the above, the Group entered into a conditional sale and purchase agreement with China Star on 1 August 2007 pursuant to which the Group would acquire a 100% interest in the issued share capital of Exceptional Gain Profits Limited, a wholly-owned subsidiary of China Star, and a sale loan at a consideration of HK$447,000,000. The consideration shall be satisfied by the issue of a convertible note by the Company. Exceptional Gain Profits Limited is an investment holding vehicle, which indirectly holds a 50% interest in Kingsway Hotel Limited. The consideration was determined after arm's length commercial negotiations and with reference to an independent property valuation conducted by DTZ Debenham Tie Leung Limited on an open market basis valuing Kingsway Hotel at approximately HK$894,000,000 at 31 July 2007. The transaction was approved by the independent shareholders at the special general meeting of the Company held on 31 December 2007. On 31 December 2007, the Group and China Star entered into a deed of variation pursuant to which the parties mutually agreed to extend the long stop date in the conditional sale and purchase agreement from 31 December 2007 to 28 February 2008.

(b) During the year, the Group entered into the following material related party transactions with Ms. Chen Ming Yin, Tiffany, a director of the Company:

(i) On 19 July 2007, the Group entered into a conditional sale and purchase agreement with Ms. Chen Ming Yin, Tiffany pursuant to which the Group would acquire a 100% interest in the issued share capital of Modern Vision (Asia) Limited at a consideration of HK$684,000,000 (subject to adjustment). The major asset of Modern Vision (Asia) Limited is its indirect 50% interest in a lot of land with the area of 4,669 square meters located in the Nam Van Lakes Zone, Macau. The consideration was determined between the Group and Ms. Chen Ming Yin, Tiffany on a "willing buyer – willing seller" basis. The transaction was not approved by the independent shareholders at a special general meeting of the Company held on 21 November 2007.

(ii) On 5 November 2007, Ms. Chen Ming Yin, Tiffany granted an unsecured and interest-free loan of HK$45,000,000 to the Company. The Company repaid the loan on 27 November 2007.

(c) Compensation for key management personnel

Remuneration for key management personnel, including amount paid to the directors of the Company and certain of the highest paid employees, as disclosed in notes 11 and 12 to the financial statements, is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries	3,875	3,954
Contribution to retirement benefits scheme	24	24
Share-based payment expenses	4,345	—
	8,244	3,978

41. Pledge of assets

At 31 December 2007, the Group has pledged its investment properties with fair value of HK$852,081,000 (2006: HK$678,000,000) and its bank deposits of approximately HK$16,832,000 (2006: Nil) which were held by Beijing Jianguo to secure the bank loans amounted to HK$329,018,000 (2006: HK$357,427,000).

42. Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including equity price risk and foreign currency risk), credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Equity price risk

The Group is exposed to equity price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group's equity price risk is mainly concentrated on equity securities quoted in The Stock Exchange of Hong Kong Limited.

The Group has limited exposure to equity price risk since the investment securities held as at balance date is not significant. At 31 December 2007, the Group did not hold any financial assets at fair value through profit or loss (2006: HK$28,100,000).

The Group is not exposed to commodity price risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower, net profit for the year ended 31 December 2007 would not be affected (2006: increase/decrease by HK$761,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

The Group's sensitivity to equity prices has not changed significantly from prior year.

(ii) Foreign currency risk

The Group operates in Hong Kong, the PRC and Macau and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to Macau Pataca and Renminbi. The Group does not hedge foreign currency translation risk because translation gains or losses do not affect the project company's cash flow or the Group's annual profit.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in Renminbi Rate	**Increase/ (decrease) in profit/(loss) before tax**
	%	*HK$'000*
2007		
If Renminbi weakens against Hong Kong dollar	5	1,957
If Renminbi strengthens against Hong Kong dollar	(5)	(1,957)
2006		
If Renminbi weakens against Hong Kong dollar	5	290
If Renminbi strengthens against Hong Kong dollar	(5)	(290)

(iii) *Credit risk*

The Group has no significant concentrations of credit risk. It has policies in place to ensure that distribution of films and sub-licensing of film rights to customers with an appropriate credit history.

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the each financial asset, including trade and other receivables, as reported on the balance sheet.

(iv) *Liquidity risk*

The Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

The Group closely monitors its exposure to liquidity risk by reviewing the cash position report monthly. It analyses efficiency of fund management appropriately on the drawdown of bank loans and appoint dedicated personnel to ensure loans are serviced on a timely and accurate basis.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007						
Accruals and other payables	19,245	—	—	—	—	19,245
Receipts in advance	47,041	—	—	—	—	47,041
Secured bank loans	738	10,718	16,077	301,485	—	329,018
	67,024	10,718	16,077	301,485	—	395,304

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006						
Accruals and other payables	20,208	—	—	—	—	20,208
Receipts in advance	60,898	—	—	—	—	60,898
Secured bank loans	—	—	5,470	351,957	—	357,427
	81,106	—	5,470	351,957	—	438,533

(v) Cash flow and fair value interest rate risk

The Group's cash flow interest-rate risk arises from bank borrowings. The Group's fair value interest-rate risk mainly arises from fixed-rate short-term bank deposits. The Group currently does not have an interest-rate hedging policy. However, the management monitors interest-rate exposure and will consider hedging significant interest-rate exposure should need arises.

Sensitivity analysis

The sensitivity analysis below presents the effects on the Group's post-tax profit for the year (as a result of change in interest expense on floating rate borrowings). For floating-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The sensitivity to interest rate used is considered reasonable given the market forecasts available at the balance sheet date and under the economic environments in which the Group operates, with all other variables held constant.

	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong dollars		
If interest rates were 2% (2006: 2%) higher		
Post-tax profit for the year	(527)	(431)
If interest rates were 2% (2006: 2%) lower		
Post-tax profit for the year	527	431

(b) ***Fair value estimation***

The carrying amounts of the Group's financial assets, including cash and bank balances, trade receivables, deposits, prepayments and other receivables, and financial liabilities, including other payables, accruals and amounts due to related companies, approximate to their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

In assessing the fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid price.

The fair value of financial instrument that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods, such as estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying values of the current financial assets and current financial liabilities approximate to their fair values.

(c) ***Capital risk management***

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, maintains a strong credit rating and healthy ratios in order to support its business and enhance shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or raise and repay debts. The Group's capital management objectives, policies or processes were unchanged during 2006 and 2007.

The Company monitors capital using gearing ratio, which is the Group's total borrowings over equity attributable to equity holders of the Company. The gearing ratios at 31 December 2007 and 31 December 2006 were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Amounts due to related companies	701	606
Secured bank loans	329,018	357,427
Total borrowings	329,719	358,033
Equity attributable to the equity holder of the Company	1,046,080	399,636
Gearing ratio	31.5%	89.6%

43. Subsequent events

(i) On 31 March 2008, the Group and China Star entered into a deed of variation pursuant to which the parties mutually agreed to further extend the long stop date in the conditional sale and purchase agreement dated 1 August 2007 relating to the proposed acquisition of a 100% interest in the issued share capital of Exceptional Gain Profits Limited and a sale loan from 31 March 2008 to 30 May 2008.

(ii) On 28 February 2008, a conditional sale and purchase agreement was entered into between the Riche (BVI) Limited, a wholly-owned subsidiary of the Company, Well Will Investment Limited and Mr. Ng Cheuk Fai, in relation to the acquisition of the entire issued share capital of Rich Daily Group Limited at an initial consideration of HK$504,000,000. The consideration will be satisfied by cash of HK$360,000,000 and the issue of convertible bonds in an aggregate principal amount of HK$144,000,000 by the Company. Details of this transaction were set out in the Company's announcement dated 4 March 2008.

(iii) On 19 March 2008, the board of directors proposed the following changes to the capital of the Company (the "Proposed Capital Reorganisation"):

1. Share consolidation: that every ten issued and unissued existing shares of HK$0.10 each in the share capital of the Company be consolidated into one consolidated share of HK$1.00 each (the "Consolidated Share") in the share capital of the Company;

2. Capital reduction: that the issued Consolidated Shares be reduced by cancelling from the paid-up capital thereof to the extent of HK$0.99 of each issued Consolidated Share and reducing the nominal value of all the Consolidated Shares comprising the authorised share capital of the Company from HK$1.00 each to HK$0.01 each; and

3. Share premium cancellation: that the entire amount of HK$813,058,000 standing to the credit of the share premium account of the Company at 31 December 2007 be cancelled and such credit amount arising from the share premium cancellation be applied to the contributed surplus account of the Company where it will be utilised by the board of directors in accordance with the bye-laws of the Company and all applicable laws, including to eliminate the accumulated losses of the Company of HK$518,374,000 at 31 December 2006 entirely.

The board of directors also proposed to change the board lot size for trading in the Company's shares from 10,000 shares of HK$0.10 each to 5,000 shares of HK$0.01 each upon the Proposed Capital Reorganisation becoming effective.

On 19 March 2008, the board of directors also proposed to change the Company's name from "Riche Multi-Media Holdings Limited" to "China Star Investment Holdings Limited" and upon the name change becoming effective, the new Chinese name "中國星投資有限公司" will be adopted to replace "豊彩多媒體集團有限公司" for identification purposes only.

Details of the Proposed Capital Reorganisation and the proposed change of the Company's name were set out in the Company's announcement dated 19 March 2008 and circular dated 8 April 2008. Neither has yet been completed as at the Latest Practicable Date.

44. Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 25 April 2008.

INDEBTEDNESS OF THE ENLARGED GROUP

Statement of indebtedness

As at the close of business of 31 March 2008, being the latest practicable date for the purpose of the statement of indebtedness, the Enlarged Group had outstanding borrowings and commitments of approximately HK$318,275,000 and HK$674,328,000 respectively, details of which are as follows:

Borrowings

As at 31 March 2008, the Enlarged Group had secured bank borrowings of approximately HK$318,275,000 which were secured by certain of the Enlarged Group's investment properties with a fair value of approximately HK$869,230,000 and bank deposits of approximately HK$35,619,000.

Commitments

As at 31 March 2008, the Enlarged Group had the following material commitments:

(a) capital expenditures of approximately HK$22,790,000 in respect of the renovation works of the Enlarged Group's investment properties;

(b) a commitment of HK$447,000,000 in respect of the proposed acquisition of a 100% interest in Exceptional Gain Profits Limited and a sale loan from China Star Entertainment Limited, a substantial shareholder which shall be satisfied by the issue of a convertible note by the Company on completion;

(c) a commitment of HK$4,538,000 (equivalent to RMB4,234,000) in respect of the acquisition of a 3.3% interest in the registered capital of Beijing Jianguo from Beijing Urban Development Group Co. Ltd.;

(d) a commitment in respect of acquiring the registered capital of 上海昇平文化發展有限公司 from its owners at a price to be determined by the valuers in Mainland China when the laws in Mainland China allow foreign investors to own more than 51% interest in the registered capital of 上海昇平文化發展有限公司; and

(e) an used revolving facility of up to HK$200,000,000 granted to Best Season Holdings Corp., a 75% owned subsidiary of the Enlarged Group.

Disclaimer

Save as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, capital commitments, guarantees or other material contingent liabilities as at the close of business on 31 March 2008.

WORKING CAPITAL

As at the Latest Practicable Date, after taking into account of the available credit facilities and the internal resources of the Enlarged Group, the Directors were of the opinion that the Enlarged Group had sufficient working capital for the 12-month period from the date of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest audited financial statements of the Group were made up.

The following is the text of a letter, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, prepared for the sole purpose of inclusion in this circular.

國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 May 2008

The Directors
Riche Multi-Media Holdings Limited
Room 3408, 34th Floor
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Riche Multi-Media Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Rich Daily Group Limited ("Rich Daily") (together with the Group hereinafter referred to as the "Enlarged Group") set out on pages 121 to 130 under the heading of "Pro Forma Financial Information on the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix V of the Company's circular dated 30 May 2008 (the "Circular") in connection with the proposed acquisition of 100% of the total issued share capital of Rich Daily by the Company (the "Acquisition"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition, which will result in the formation of the Enlarged Group, might have affected the relevant financial information presented for inclusion in Appendix V of the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Enlarged Group as at 31 December 2007 or any future date, or

— the results and cash flows of the Enlarged Group for the year ended 31 December 2007 or any future periods.

OPINION

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The following is the unaudited pro forma consolidated balance sheet, income statement and cash flow statement of the Enlarged Group as if the Acquisition had been completed on 31 December 2007 for the unaudited pro forma consolidated balance sheet and on 1 January 2007 for the unaudited pro forma consolidated income statement and cash flow statement. The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of 100% of the issued share capital of Rich Daily.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is based on certain assumption, estimates, uncertainties and other currently available financial information, and is provided for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the actual financial position and financial results of the Enlarged Group's operations that would have been attained had the Acquisition actually occurred on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position or results of operations.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the Financial Information of Rich Daily as set out on Appendix II and the historical financial information of the Group as set out in Appendix III and other financial information included elsewhere in this Circular.

A. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group, assuming that the Acquisition had been completed on 31 December 2007. The unaudited pro forma consolidated balance sheet is based on the audited consolidated financial statements of the Group for the year ended 31 December 2007 as set out in Appendix III to this Circular, the audited financial statements of Rich Daily for the period from 18 January 2008 (date of incorporation) to 31 March 2008 as set out in Appendix II to this Circular. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	The Group as at 31 December 2007	Rich Daily as at 31 March 2008	Sub-total	Pro forma adjustments		The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS						
Non-current assets						
Property, plant and equipment	6,000	—	6,000			6,000
Investment properties	887,450	—	887,450			887,450
Goodwill	39,456	—	39,456			39,456
Club membership	172	—	172			172
Intangible asset	—	—	—	536,116	*3*	536,116
	933,078	—	933,078			1,469,194
Current assets						
Inventories	32,783	—	32,783			32,783
Trade receivables	1,245	—	1,245			1,245
Deposits, prepayments and other receivables	31,830	—	31,830			31,830
Financial assets at fair value through profit or loss	—	—	—			—
Tax prepayments	12,120	—	12,120			12,120
Cash and cash equivalents	531,396	1	531,397	(360,000)	*1(i)*	171,397
	609,374	1	609,375			249,375
Total assets	1,542,452	1	1,542,453			1,718,569

	The Group as at 31 December 2007 *HK$'000*	Rich Daily as at 31 March 2008 *HK$'000*	Sub-total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group Total *HK$'000*
EQUITY						
Capital and reserves attributable to the Company's equity holders						
Share capital	195,186	1	195,187	(1)	*2*	195,186
Reserves	850,894	—	850,894	47,146	*4*	898,040
	1,046,080	1	1,046,081			1,093,226
Minority interests	3,896	—	3,896			3,896
Total equity	1,049,976	1	1,049,977			1,097,122
LIABILITIES						
Current liabilities						
Accruals and other payables	19,245	—	19,245			19,245
Receipts in advance	47,041	—	47,041			47,041
Amounts due to related companies	701	—	701			701
Secured bank loans — due within one year	27,533	—	27,533			27,533
Tax payables	22,969	—	22,969			22,969
	117,489	—	117,489			117,489
Non-current liabilities						
Secured bank loans — due after one year	301,485	—	301,485			301,485
Deferred taxation	73,502	—	73,502	3,188	*4(i)*	76,690
Unsecured convertible notes payable	—	—	—	125,783	*1(ii)*	125,783
	374,987	—	374,987			503,958
Total equity and liabilities	1,542,452	1	1,542,453			1,718,569
Net current assets	491,885	1	491,886			131,886
Total assets less current liabilities	1,424,963	1	1,424,964			1,601,080

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated income statement of the Enlarged Group, assuming that the Acquisition had been completed on 1 January 2007. The unaudited consolidated income statement is based on the audited financial statements of the Group for the year ended 31 December 2007 as set out in Appendix III to this Circular and the audited financial statements of Rich Daily for the period from 18 January 2008 (date of incorporation) to 31 March 2008 as set out in Appendix II to this Circular. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated income statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group after completion of the Acquisition for the year ended to which it is made up to or for any future date.

	The Group for the year ended 31 December 2007	Rich Daily for the period from 18 January 2008 (date of incorporation) to 31 March 2008	Sub-total	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	38,739	—	38,739			38,739
Cost of sales	(28,958)	—	(28,958)			(28,958)
Gross profit	9,781	—	9,781			9,781
Discount on acquisition	—	—	—	32,117	*4(ii)*	32,117
Other revenue	3,205	—	3,205			3,205
Other income	106,956	—	106,956			106,956
Increase in fair value of investment properties	43,853	—	43,853			43,853
Impairment loss recognised in respect of goodwill	(37,828)	—	(37,828)			(37,828)
Administrative expenses	(67,623)	—	(67,623)			(67,623)
Profit from operations	58,344	—	58,344			90,461
Finance costs	(19,494)	—	(19,494)	(8,523)	*5*	(28,017)
Profit before taxation	38,850	—	38,850			62,444
Taxation	(13,156)	—	(13,156)	1,492	*5*	(11,664)
Profit for the year	25,694	—	25,694			50,780
Attributable to:						
Equity holders of the Company	25,694	—	25,694			50,780

C. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group, assuming that the Acquisition had been completed on 1 January 2007. The unaudited pro forma consolidated cash flow statement is based on the audited financial statements of the Group for the year ended 31 December 2007 as set out in Appendix III to this Circular and the audited financial statements of Rich Daily for the period from 18 January 2008 (date of incorporation) to 31 March 2008 as set out in Appendix II to this Circular. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group after completion of the Acquisition for the year ended to which it is made up to or for any future period.

	The Group for the year ended 31 December 2007	Rich Daily for the period from 18 January 2008 (date of incorporation) to 31 March 2008	Sub-total	Pro forma adjustments		The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating activities						
Profit before taxation	38,850	—	38,850	23,594	*4(ii), 5*	62,444
Adjustments for:						
Discount on acquisition of a subsidiary	—	—	—	(32,117)	*4(ii)*	(32,117)
Interest income	(2,990)	—	(2,990)			(2,990)
Dividend income	(78)	—	(78)			(78)
Waiver of secured bank loan interest	(106,956)	—	(106,956)			(106,956)
Increase in fair value of investment properties	(43,853)	—	(43,853)			(43,853)
Finance costs	19,494	—	19,494	8,523	5	28,017
Depreciation of property, plant and equipment	1,158	—	1,158			1,158
Impairment loss recognised in respect of goodwill	37,828	—	37,828			37,828
Impairment loss recognised in respect of trade receivables	9	—	9			9
Loss on disposal of property, plant and equipment	3	—	3			3
Share-based payment expenses	32,282	—	32,282			32,282

	The Group for the year ended 31 December 2007	Rich Daily for the period from 18 January 2008 (date of incorporation) to 31 March 2008	Sub-total	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating cash flows before movements in working capital	(24,253)	—	(24,253)			(24,253)
Decrease in inventories	12,371	—	12,371			12,371
Increase in trade receivables	(318)	—	(318)			(318)
Increase in deposits, prepayments and other receivables	(12,576)	—	(12,576)			(12,576)
Decrease in accruals and other payables	(963)	—	(963)			(963)
Decrease in receipts in advance	(13,857)	—	(13,857)			(13,857)
Increase in amounts due to related companies	95	—	95			95
Cash used in operation	(39,501)	—	(39,501)			(39,501)
Tax paid	(4,671)	—	(4,671)			(4,671)
Net cash used in operating activities	(44,172)	—	(44,172)			(44,172)
Investing activities						
Interest received	2,990	—	2,990			2,990
Dividend income	78	—	78			78
Proceeds on disposal of property, plant and equipment	220	—	220			220
Effect from acquisition of a subsidiary	—	—	—	(359,999)	*1(i)*	(359,999)
Additions to investment properties	(116,960)	—	(116,960)			(116,960)
Purchase of property, plant and equipment	(4,908)	—	(4,908)			(4,908)
Net cash used in investing activities	(118,580)	—	(118,580)			(478,579)

	The Group for the year ended 31 December 2007	Rich Daily for the period from 18 January 2008 (date of incorporation) to 31 March 2008	Sub-total	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Financing activities						
Issue of shares upon incorporation	—	1	1	(1)	*2*	—
Interest paid	(19,494)	—	(19,494)			(19,494)
Issuances of new shares	562,775	—	562,775			562,775
New secured bank loan raised	71,281	—	71,281			71,281
Net cash generated from financing activities	614,562	1	614,563			614,562
Net increase in cash and cash equivalents	451,810	1	451,811			91,811
Effect on foreign exchange rate	16,446	—	16,446			16,446
Cash and cash equivalents at the beginning of the year	63,140	—	63,140			63,140
Cash and cash equivalents at the end of the year	531,396	1	531,397			171,397
Analysis of the balances of cash and cash equivalents:						
Cash and bank balances	531,396	1	531,397			171,397

NOTES ON THE PRO FORMA ADJUSTMENT TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

On 28 February 2008, the Company entered into an agreement with Well Will Investment Limited and Mr. Ng for the Acquisition. Upon the completion of the Acquisition, Rich Daily was accounted as a subsidiary of the Company. Under HKFRS 3 Business Combinations ("HKFRS 3"), the Group will apply the purchase method to account for the acquisition of Rich Daily. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Rich Daily will be recorded on the consolidated balance sheet of the Group at their fair values at the date of completion. Any goodwill or discount arising on the acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Group over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Rich Daily at the date of completion. A discount on acquisition arising on an acquisition of a subsidiary or an associate represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in the income statement.

The adjustments reflect the followings:

1. The fair value of the consideration for the Acquisition to be satisfied by the Group is approximately HK$504,000,000.

   (i) The Consideration is satisfied by (a) paying a refundable amount in a sum of HK$280,000,000, (b) paying HK$80,000,000 in cash assuming that the Acquisition had been completed on 31 December 2007 and (c) issuing Convertible Bond I and Convertible Bond II ("Convertible Bonds") in principal amounts of HK$72,000,000 and HK$72,000,000 respectively. This adjustment is not expected to have a continuing effect of the Group.

   (ii) In accordance with Hong Kong Accounting Standards 32 "Financial Instruments — Disclosure and Presentation", convertible bonds should be separated as liability portion and equity portion. In preparing the Unaudited Pro Forma Financial Information, the fair values of the Convertible Bonds of HK$144,000,000 are taken to be their fair values as if they were issued on 31 December 2007. The adjustment of approximately HK$125,783,000 represented the liability portion of the Convertible Bonds based on the calculation of the discounted cash flow method. Please refer to note 4(i) for the details of the equity portion of the Convertible Bonds. This adjustment is expected to have a continuing effect of the Group.

2. The pro forma adjustment of approximately HK$780 represents the elimination of the issued share capital of US$100 of Rich Daily upon the consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group. This adjustment is not expected to have a continuing effect of the Group.

3. The pro forma adjustment represents the fair value adjustment of the intangible asset of approximately HK$536,116,000.

   The fair value of the intangible asset as at 31 March 2008 is determined with reference to the business valuation of Rich Daily as at 31 March 2008 carried out by Grant Sherman Appraisal Limited, an independent firm of professional valuers not connected to the Enlarged Group. Grant Sherman Appraisal Limited is a member of The Hong Kong Institute of Surveyor and its office is located at Room 1701, 17/F, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong.

   According to the valuation information provided by Grant Sherman Appraisal Limited, the business valuation of the Rich Daily is based on a market approach named Guideline Publicly Traded Company Method which is in conformity with the Uniform Standards of Professional Appraisal Practise, a standard adopted by the American Society of Appraisers of the United States.

   This adjustment is not expected to have a continuing effect of the Group.

4. The pro forma adjustment of HK$47,146,000 represents the net effect of the equity component of the Convertible Bonds and discount on acquisition. Details are set out as follows:

	HK$'000
Convertible Bonds *(note 4(i))*	15,029
Discount on acquisition *(note 4(ii))*	32,117
	47,146

   (i) The equity component of the Convertible Bonds was approximately HK$18,217,000. Please also refer to note 1(ii) for details of the Convertible Bonds. The deferred tax liabilities of HK$3,188,000 represents the resulting deferred tax liability of the equity components of Convertible Bonds of approximately HK$18,217,000 at the Hong Kong Profits Tax rate of 17.5%. This adjustment is expected to have a continuing effect of the Group.

(ii) Discount on acquisition of approximately HK$32,117,000 arising from the Acquisition of Rich Daily, is derived from the calculation as follow:

	HK$'000
Fair value of net assets of Rich Daily	536,117
Discount on acquisition	(32,117)
Total consideration	504,000

The balances of identifiable assets, liabilities and considerations are taken to be at their fair values in this transaction. This adjustment is not expected to have a continuing effect of the Group.

5. The pro forma adjustments represent the imputed interest on the liability component of the Convertible Bonds amounted to approximately HK$8,523,000 and the respective deferred tax credit amounted to approximately HK$1,492,000. This adjustment is expected to have a continuing effect of the Group.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at the Latest Practicable Date, no Directors or chief executive of the Company had or was deemed to have interests or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions

Name of Director	Nature of interest	Interest in Shares	Interest in underlying Shares	Total interest in Shares	Percentage of the issued capital of the Company
Ms. Chen Ming Yin, Tiffany	Corporate interest	58,360,612	—	58,360,612	29.90%
Mr. Heung Wah Keung	Corporate interest	58,360,612	—	58,360,612	29.90%

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group or had any option in respect of such capital:

Long positions

Name	*Notes*	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Share	Percentage of the issued capital of the Company
China Start Entertainment Limited	*1 and 4*	Interest of corporation	58,360,612	44,700,000	103,060,612	52.80%
China Star Entertainment (BVI) Limited	*1 and 4*	Interest of corporation	58,360,612	—	58,360,612	29.90%
Classical Statue Limited	*1*	Beneficial owner	58,360,612	—	58,360,612	29.90%
Mr. Ng Cheuk Fai		Interest of corporation	—	90,000,000	90,000,000	46.11%
Well Will		Beneficial owner	—	90,000,000	90,000,000	46.11%
Ms. Chen Ming Yin, Tiffany	*2*	Interest of corporation	58,360,612	—	58,360,612	29.90%
Mr. Heung Wah Keung	*2*	Interest of corporation	58,360,612	—	58,360,612	29.90%
Porterstone Limited	*2*	Interest of corporation	58,360,612	—	58,360,612	29.90%
Glenstone Investments Limited	*2*	Other	58,360,612	—	58,360,612	29.90%

Name	*Notes*	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Share	Percentage of the issued capital of the Company
Andrew Nan Sherrill	*3*	Interest of corporation	12,949,217	—	12,949,217	9.95%
Asia Vest Partners Limited	*3*	Interest of corporation	12,949,217	—	12,949,217	9.95%
Asia Vest Partners VII Limited	*3*	Interest of corporation	12,949,217	—	12,949,217	9.95%
Asia Vest Partners X Limited	*3*	Interest of corporation	12,949,217	—	12,949,217	9.95%
Northbay Investments Holdings Limited	*3*	Beneficial owner	12,949,217	—	12,949,217	9.95%

Notes:

1. 58,360,612 Shares are beneficially owned by Classical Statue Limited. Classical Statue Limited is a wholly-owned subsidiary of China Star Entertainment (BVI) Limited. China Star Entertainment (BVI) Limited is a wholly-owned subsidiary of China Star Entertainment Limited, a company listed on the Stock Exchange. China Star Entertainment Limited and China Star Entertainment (BVI) Limited are deemed to be interested in the 58,360,612 Shares owned by Classical Statue Limited.

2. Glenstone Investments Limited is a company owned as to 60% by Porterstone Limited (a company wholly-owned by Ms. Chen Ming Yin, Tiffany) and as to 40% by Mr. Heung Wah Keung.

3. 12,949,217 Shares are beneficially owned by Northbay Investments Holdings Limited. 35.5% and 64.5% of the shareholding of Northbay Investments Holdings Limited are respectively owned by Asia Vest Partners VII Limited and Asia Vest Partners X Limited, and both of them are indirectly wholly-owned by Mr. Andrew Nan Sherrill through Asia Vest Partners Limited.

4. Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Mr. Ho Wai Chi, Paul are directors of the Company and China Star Entertainment Limited. Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany are directors of the Company, China Star Entertainment (BVI) Limited and Classical Statue Limited.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the date of this circular and which was significant in relation to the business of the Enlarged Group.

None of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to member of the Enlarged Group since 31 December 2007, being the date to which the latest published audited accounts of the Enlarged Group were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

6. LITIGATION

As at the Latest Practicable Date, save as disclosed below, neither the Enlarged Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

The Commissioner of Inland Revenue had issued proceedings on 30 March 2005 against Ocean Shores Licensing Limited ("OSLL"), a wholly-owned subsidiary of the Company, in respect of an aggregate amount of outstanding taxation of HK$13,928,226 for the estimated assessments for the years of assessments from 1998/1999 to 2000/2001. In February 2008, OSLL had reached a compromise settlement with the Inland Revenue Department for settling the outstanding tax for the years of assessments from 1998/1999 to 2000/2001 in amount of HK$11,089,000, including interest and surcharge. Such amount has been properly accrued for in the Company's audited consolidated financial statements for the year ended 31 December 2007.

7. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

8. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinion and advise, which is contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Robertsons	Legal adviser on Hong Kong law
Leong Hon Man Law Office	Legal adviser on Macau law
Grant Sherman Appraisal Limited	Professional valuer

Each of HLB Hodgson Impey Cheng, Robertsons, Leong Hon Man Law Office and Grant Sherman Appraisal Limited has given and has not withdrawn their written consent to the issue of this circular with the inclusions of its letters and references to each of their names in the form and context in which they appear.

9. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, each of HLB Hodgson Impey Cheng, Robertsons, Leong Hon Man Law Office and Grant Sherman Appraisal Limited:

(a) were not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2007, being the date to which the latest published audited accounts of the Company were made up; and

(b) did not have any shareholding interest in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

10. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited accounts of the Company were made up.

11. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal office of the Company is situated at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tircor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) Mr. Chan Kin Wah, Billy, the company secretary and qualified accountant of the Company, is a member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from the University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from the University of New South Wales in Australia.

(d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

12. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(i) a placing agreement dated 19 March 2007 entered into between Classical Statue Limited, Kingston Securities Limited and the Company in relation to the top-up placing of 1,296,860,000 new ordinary shares at HK$0.01 each in the share capital of the Company at a price of HK$0.04 per share;

(ii) a conditional placing agreement dated 4 April 2007 entered into between the Company and Kingston Securities Limited in relation to the placing of 155,620,000 new Old Shares at a price of HK$0.55 per Old Share;

(iii) a joint venture agreement dated 11 May 2007 entered into between Legend Rich Limited, the Company and Steve Leung Hotel Design and Management Limited;

(iv) a facility agreement dated 11 May 2007 entered into between Rich Joy Investments Limited, a wholly-owned subsidiary of the Company and Best Season Holdings Corp., a 75% owned subsidiary of the Company in relation to the revolving facility of up to HK$200,000,000;

(v) a placing agreement dated 25 June 2007 entered into between the Company and Kingston Securities Limited in relation to the placing of 162,100,000 new Old Shares at a price of HK$0.5 per Old Share;

(vi) a conditional sale and purchase agreement dated 19 July 2007 entered into between Legend Rich Limited, and Ms. Chen Ming Yin, Tiffany relating to an acquisition of a 100% interest in Modern Vision (Asia) Limited;

(vii) a placing agreement dated 24 July 2007 entered into between Classical Statue Limited, Kingston Securities Limited and the Company in relation to the top-up placing of 173,000,000 new Old Shares at a price of HK$0.83 per Old Share;

(viii) a conditional sale and purchase agreement dated 1 August 2007 entered into between Legend Rich Limited, the Company and China Star Entertainment Limited relating to the acquisition of a 100% interest in the issued share capital of Exceptional Gain Profit Limited and a sale loan;

(ix) an underwriting agreement dated 16 October 2007 entered into between the Company and Kingston Securities Limited in relation to the proposed issue of 650,619,987 new Old Shares at a subscription price of HK$0.30 per Old Share by way of open offer to the qualifying Shareholders for subscription on the basis of one new Old Share for every two existing Old Shares held on the record date;

(x) a loan agreement dated 5 November 2007 entered into between the Company and Ms. Chen Ming Yin, Tiffany, an executive Director, pursuant to which Ms. Chen Ming Yin, Tiffany granted an unsecured and interest-free loan of HK$45,000,000 to the Company for a period of six months from the date of the loan agreement;

(xi) the Share Acquisition Agreement; and

(xii) the Ocho Services Agreement.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the SGM:

(a) the Memorandum and Bye-Laws of the Company;

(b) the material contracts referred to in the paragraph headed “Material Contracts” to this Appendix;

(c) the annual reports of the Group for the three financial years ended 31 December 2005, 2006 and 2007;

(d) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31 December 2007 (being the date to which the latest published audited consolidated financial statements of the Group was made up);

(e) the accountants' report on Rich Daily, the text of which is set out in Appendix II to this circular;

(f) the letter from the reporting accountants regarding the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular;

(g) the valuation report prepared by Grant Sherman Appraisal Limited referred to in Appendix V to this circular;

(h) the legal opinions referred to herein; and

(i) the written consent referred to in paragraph 8 of this Appendix.

RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

NOTICE IS HEREBY GIVEN that the special general meeting of Riche Multi-Media Holdings Limited (the "Company") will be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Friday, 27 June 2008 at 4:30 p.m. for the purpose of consideration and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement dated 28 February 2008 (the "Share Acquisition Agreement") entered into between Riche (BVI) Limited as purchaser, Well Will Investment Limited as vendor and warrantor and Mr. Ng Cheuk Fai as warrantor relating to the acquisition of a 100% interest in the issued share capital of Rich Daily Group Limited ("Rich Daily") at an aggregate initial consideration of HK$504,000,000 (subject to adjustment) (a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) be and is hereby approved, ratified and confirmed in all respects and that all transactions contemplated under the Share Acquisition Agreement be and is hereby approved and that any one director of the Company be and is hereby authorised to do or execute all such acts or such other documents which the director may deem to be necessary, desirable or expedient to carry into effect or to give effect to the Share Acquisition Agreement and all transactions contemplated under the Share Acquisition Agreement; and

(b) the issue of two convertible bonds in an aggregate amount of HK$144,000,000 ("Convertible Bond I and Convertible Bond II") by the Company in accordance with the terms and conditions of the Share Acquisition Agreement be and is hereby approved and that any one or more of the directors of the Company be and is/are hereby authorised to take all steps necessary or expedient in his/their opinion to implement and/or give effect to the issue of the Convertible Bond I and Convertible Bond II including but not limited to the allotment and issue of ordinary shares of HK$0.01 each in the share capital of the Company of which may fall to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bond I and Convertible Bond II."

By Order of the Board
Riche Multi-Media Holdings Limited
Heung Wah Keung
Chairman

Hong Kong, 30 May 2008

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

Head office and principal place of business in Hong Kong:
Unit 3408, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy needs not be a shareholder of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.

5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.