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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 China Star Investment Holdings Limited, you should at once hand this circular and the accompanying form of proxy 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.

CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

(1) VERY SUBSTANTIAL DISPOSAL IN CONNECTION WITH THE PROPOSED PLACING OF 320,000,000 SHARES IN THE ISSUED SHARE CAPITAL OF CHINA STAR ENTERTAINMENT LIMITED; (2) REFRESHMENT OF SCHEME MANDATE LIMIT; AND (3) NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of China Star Investment Holdings Limited to be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 7 December 2009 at 4:30 p.m. is set out on pages 156 to 158 of this circular. Whether or not you intend to attend the special general 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 special general 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 special general meeting or any adjournment thereof should you so wish.

20 November 2009

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

"Announcement"	the announcement dated 13 October 2009 issued by the Company in relation to the Placing
"associates"	has the meaning as defined under the Listing Rules
"Board"	the board of Directors
"CB Subscription Agreement"	the conditional subscription agreement dated 23 July 2009 entered into between CSE and the Company in respect of the subscription of the Convertible Bond. Details of which were disclosed in the circular of the Company dated 28 August 2009
"Classical Statue"	Classical Statue Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial Shareholder, which is wholly owned by Glenstone Investment Limited which in turn is owned as to 60% by Ms. Chen through Porterstone Limited and as to 40% by Mr. Heung
"Company	China Star Investment Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Placing in accordance with the Placing Agreement
"connected person(s)"	has the same meaning as defined under the Listing Rules
"Convertible Bond"	the convertible bond of HK$200 million issued by CSE to Simple View pursuant to the CB Subscription Agreement
"CSE"	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued CSE Shares are listed on the Main Board of the Stock Exchange

"CSE Group"	CSE and its subsidiaries
"CSE Placing Shares"	320,000,000 existing issued CSE Shares beneficially owned by Simple View and to be placed by the Placing Agent pursuant to the Placing Agreement
"CSE Shares"	the ordinary shares of HK$0.01 each in the share capital of CSE
"Director(s)"	the director(s) of the Company
"Dorest"	Dorest Company Limited, a company incorporated in Hong Kong with limited liability which is beneficially owned as to 60% by Ms. Chen through Porterstone Limited and as to 40% by Mr. Heung
"Eligible Persons"	means:

(i) (a) any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of, or

(b) 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; or

(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; or

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

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

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

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

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

any member of the Group or any controlling Shareholder or any company controlled by a controlling Shareholder;

and, for the purposes of the Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants

"Enlarged Group"	the Group upon conversion of the Convertible Bond to the extent that the Company and parties acting in concert with it are interested in not more than 30% of the issued share capital of CSE, but before the Completion
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Last Trading Day"	9 October 2009, being the last day of trading of the CSE Shares on the Stock Exchange prior to the date of the Announcement

"Latest Practicable Date"	18 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Heung"	Mr. Heung Wah Keung, an executive Director and an executive director of CSE
"Ms. Chen"	Ms. Chen Ming Yin, Tiffany, an executive Director and an executive director of CSE
"Options"	share options granted or to be grated by the Company under the Share Option Scheme
"Placee(s)"	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent's obligations under the Placing Agreement
"Placing"	the offer by way of a private placing of 320,000,000 CSE Placing Shares to selected Placees procured by the Placing Agent pursuant to the terms of the Placing Agreement
"Placing Agent"	Kingston Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Placing Agreement"	a conditional agreement entered into between Simple View and the Placing Agent dated 12 October 2009 in respect of the placing of 320,000,000 CSE Shares to not fewer than six Placees at the Placing Price on a fully underwritten basis

"Placing Completion Date"	on or before the fourth Business Day following the completion of the Placing Agreement, or such other date as Simple View and the Placing Agent shall agree
"Placing Price"	HK$0.20 per CSE Placing Share
"Remaining Group"	the Enlarged Group immediately upon the Completion
"Scheme Mandate Limit"	the maximum number of Shares which may be allotted and issued upon exercise of all Options which initially shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Placing and the refreshment of the Scheme Mandate Limit
"Shareholder(s)"	the holder(s) of the Share(s)
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 21 January 2002
"Simple View"	Simple View Investment Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent

中国星

CHINA STAR INVESTMENT 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

20 November 2009

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL
IN CONNECTION WITH
THE PROPOSED PLACING OF 320,000,000 SHARES
IN THE ISSUED SHARE CAPITAL OF
CHINA STAR ENTERTAINMENT LIMITED;
(2) REFRESHMENT OF SCHEME MANDATE LIMIT;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to a joint announcement dated 27 July 2009 issued by the Company and CSE and the circular of the Company dated 28 August 2009. Pursuant to the CB Subscription Agreement, the Company has conditionally agreed to subscribe or procure subscription for the Convertible Bond in the principal amount of HK$200 million which conferring the rights to convert 1,000,000,000 CSE Shares at an initial conversion price of HK$0.20 each (subject to adjustments). The CB Subscription Agreement was completed on 21 September 2009.

Upon partial conversion of the Convertible Bond, Simple View holds 550,000,000 CSE Shares, representing approximately 29.79% of the existing issued share capital of CSE as at the date of the Placing Agreement. The outstanding principal amount of the Convertible Bond amounted to HK$90 million as at the Latest Practicable Date.

On 12 October 2009, the Placing Agent and Simple View entered into the Placing Agreement, pursuant to which, Simple View has conditionally agreed to place, through the Placing Agent, 320,000,000 CSE Placing Shares, on a fully underwritten basis, to not fewer than six Placees at a price of HK$0.20 per CSE Placing Share.

The Placing constitutes a very substantial disposal of the Company under the Listing Rules and is subject to Shareholders' approval at the SGM. The Placing Agent and its associates will abstain from voting on the relevant resolution in respect of the Placing Agreement and the transactions contemplated thereunder at the SGM.

The Board also proposes to seek Shareholders' approval for the refreshment of the Scheme Mandate Limit. No Shareholder is required to abstain from voting on the relevant resolution in respect of the proposed refreshment of the Scheme Mandate Limit at the SGM.

The purpose of this circular is to provide further information in respect of the Placing, the Placing Agreement and the transactions contemplated thereunder and the refreshment of the Scheme Mandate Limit, together with a notice of the SGM.

THE PLACING

The principal terms of the Placing Agreement are summarised below:

Date:	12 October 2009
Parties involved:	The Placing Agent and Simple View

Placing Agent

As at the Latest Practicable Date, the Placing Agent held 8,159,510 Shares, representing approximately 6.17% of the issued share capital of the Company of 132,128,049 Shares. Save for the holding of 8,159,510 Shares, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Placees

The Placing Agent has conditionally agreed to place the CSE Placing Shares, on a fully underwritten basis, to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company or CSE and their respective connected persons. None of the Placees will become a substantial shareholder (as defined in the Listing Rules) of CSE upon completion of the Placing.

The Placing Agent undertakes that none of the Placees is the Shareholders from the date of the Announcement to the date immediately prior to the completion of the Placing.

Placing Price

The Placing Price of HK$0.20 represents (i) a discount of approximately 1.48% to the closing price of HK$0.203 per CSE Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 5.26% over the average closing price of HK$0.190 per CSE Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iii) a premium of approximately 4.71% over the closing price of HK$0.191 per CSE Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and (iv) a premium of approximately 21.21% over the closing price of HK$0.165 per CSE Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Placing Price was determined with reference to the prevailing market price of the CSE Shares and was negotiated on an arm's length basis between Simple View and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CSE Placing Shares

The 320,000,000 CSE Placing Shares represented approximately 17.33% of the issued share capital of CSE as at the Latest Practicable Date.

The fair market value of the CSE Placing Shares is HK$64.96 million based on the closing price of HK$0.203 per CSE Share as quoted on the Stock Exchange on the Last Trading Day. Based on the conversion price of CSE Shares of HK$0.20 each and the Placing Price, it has no material excess or deficit of the consideration over the net book value of the CSE Shares.

Condition of the Placing

Completion of the Placing is conditional upon the following conditions being fulfilled or waived by the Placing Agent as at the Placing Completion Date:

(i) all necessary approvals or consents from the Shareholders or independent Shareholders (as the case may be) and the Stock Exchange in connection with the Placing having been obtained;

(ii) the warranties given by Simple View remaining true and accurate in all material respects; and

(iii) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

If any of the above conditions have not been satisfied (or, as the case may be, waived by the Placing Agent) on or before 31 January 2010 or such other date as Simple View and the Placing Agent shall agree, the Placing Agreement shall cease and determine and none of the parties shall have any obligations and liabilities under the Placing Agreement save for any antecedent breaches of the terms as set out in the Placing Agreement.

Termination of the Placing

The Placing may be terminated by the Placing Agent prior to 10:00 a.m. on the Placing Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by the following force majeure events:

(i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the CSE Group; or

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the CSE Group as a whole or adversely prejudices the success of the placing of the CSE Placing Shares to the Placee(s) or otherwise makes it inexpedient or inadvisable for Simple View or the Placing Agent to proceed with the Placing; or

(iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to the Placee(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for Simple View or the Placing Agent to proceed with the Placing.

Reasons for the Placing and use of proceeds

The Group is principally engaged in distribution of films, sub-licensing of film rights, sales of financial assets and provision of management services to concierge departments of gaming promoters.

The CSE Group is principally engaged in film production, distribution of films and television drama series, investing in operations which receive the profits streams from the gaming promotion business and property and hotel investment.

According to the annual report of CSE for the year ended 31 December 2008, the audited consolidated profit before and after taxation of CSE for the year ended 31 December 2008 were approximately HK$63.15 million and approximately HK$65.59 million respectively, while the audited consolidated loss before and after taxation of CSE for the year ended 31 December 2007 were approximately HK$101.86 million and HK$103.81 million respectively. As shown in the interim report of CSE for the six months ended 30 June 2009, the unaudited consolidated net assets of CSE as at 30 June 2009 amounted to approximately HK$1,994.86 million.

As the Hong Kong stock market remains volatile, the Directors consider that the Placing presents an opportunity to the Group to realise part of its investment in CSE in cash. Accordingly, the Board considers that the entering into of the Placing Agreement is in the interest of the Company and the Shareholders as a whole.

The net proceeds from the Placing will be approximately HK$63.04 million and is intended to be used for general working capital of the Group.

Financial and trading prospect of the Remaining Group

For the six months ended 30 June 2009, the Group recorded a loss from continuing operations of HK$164.91 million and a loss from discontinued operations of HK$5.58 million. The net assets value of the Group as at 30 June 2009 amounted to HK$826.09 million.

As the number of films produced by Hong Kong independent producers has decreased in recent years, the Group is not able to source a sufficient quantity of films at reasonable prices for distribution. Given the supply of films is weak and the cost of maintaining a distribution network is high, the Group has further scaled down its film distribution operations in the second half of 2009.

As Hong Kong stock market rallied sharply in July 2009, the Group took profit in its Hong Kong equities by selling all of them in August 2009 and recorded a further gain on fair value change in financial assets at fair value through profit or loss of HK$6.47 million. The Group will continue to adopt a prudence approach in investing Hong Kong equities to enhance the returns to its shareholders.

With Macau's gaming revenue surged to its highest-ever monthly figure in August 2009 and the proposed lifting of visa restriction on Guangdong residents to Macau, the Directors believe that the provision of management services business will continue to contribute positively to the Group in the second half of 2009.

Although the global economy has shown a sign of improvement, the Directors believe that the second half of 2009 remains challenging. However, the Directors consider that such kind of economics climate provides opportunities to the Group to invest with reasonable prices. The Group will actively seek investment opportunities to diversify its businesses and broaden its revenue base.

Following the Completion, CSE will remain as an associated company of the Remaining Group for accounting purpose as Simple View remains a substantial shareholders (as defined under the Listing Rules) of CSE and Ms. Chen and Mr. Heung are the common executive directors of the Company and CSE.

Financial effects of the Placing

Assets

According to the accountants' report of the Group as set out in Appendix II to this circular, the audited consolidated total assets of the Group as at 30 June 2009 amounted to HK$1,024.98 million.

As set out in Appendix III to this circular, assuming completion of (i) the subscription of the Convertible Bond of HK$200 million and (ii) the partial conversion of the Convertible Bond of HK$110 million into 550,000,000 CSE Shares at a conversion price of HK$0.20 per CSE Share had taken place on 30 June 2009, the unaudited pro forma consolidated total assets of the Enlarged Group as at 30 June 2009 would have been HK$1,643.26 million.

As set out in Appendix III to this circular, assuming completion of (i) the subscription of the Convertible Bond of HK$200 million, (ii) the partial conversion of the Convertible Bond of HK$110 million into 550,000,000 CSE Shares at a conversion price of HK$0.20 per CSE Share and (iii) the Placing had taken place on 30 June 2009, the unaudited pro forma consolidated total assets of the Remaining Group as at 30 June 2009 would have been HK$1,282.57 million.

Liabilities

According to the accountants' report of the Group as set out in Appendix II to this circular, the audited consolidated total liabilities of the Group as at 30 June 2009 amounted to HK$198.89 million.

As set out in Appendix III to this circular, assuming completion of (i) the subscription of the Convertible Bond of HK$200 million and (ii) the partial conversion of the Convertible Bond of HK$110 million into 550,000,000 CSE Shares at a conversion price of HK$0.20 per CSE Share had taken place on 30 June 2009, the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 30 June 2009 would have remained at HK$198.89 million.

As set out in Appendix III to this circular, assuming completion of (i) the subscription of the Convertible Bond of HK$200 million, (ii) the partial conversion of the Convertible Bond of HK$110 million into 550,000,000 CSE Shares at a conversion price of HK$0.20 per CSE Share and (iii) the Placing had taken place on 30 June 2009, the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 30 June 2009 would have remained at HK$198.89 million.

Earnings

According to the accountants' report of the Group as set out in Appendix II to this circular, the Group recorded an audited consolidated loss from continuing and discontinued operations of HK$170.48 million for the six months ended 30 June 2009.

As set out in Appendix III to this circular, assuming completion of (i) the subscription of the Convertible Bond of HK$200 million and (ii) the partial conversion of the Convertible Bond of HK$110 million into 550,000,000 CSE Shares at a conversion price of HK$0.20 per CSE Share had taken place on 30 June 2009, the Enlarged Group would have recorded an unaudited pro forma consolidated profit from continuing and discontinued operations of HK$681.30 million for the six months ended 30 June 2009.

As set out in Appendix III to this circular, assuming completion of (i) the subscription of the Convertible Bond of HK$200 million, (ii) the partial conversion of the Convertible Bond of HK$110 million into 550,000,000 CSE Shares at a conversion price of HK$0.20 per CSE Share and (iii) the Placing had taken place on 30 June 2009, the Remaining Group would have recorded an unaudited pro forma consolidated profit from continuing and discontinued operations of HK$138.48 million for the six months ended 30 June 2009.

Gearing

According to the accountants' report of the Group as set out in Appendix II to this circular, the total borrowings of the Group as at 30 June 2009 amounted to HK$107.39 million and the Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 13.00%.

As set out in Appendix III to this circular, assuming completion of (i) the subscription of the Convertible Bond of HK$200 million and (ii) the partial conversion of the Convertible Bond of HK$110 million into 550,000,000 CSE Shares at a conversion price of HK$0.20 per CSE Share had taken place on 30 June 2009, the total borrowings of the Enlarged Group as at 30 June 2009 would have remained at HK$107.39 million and the Enlarged Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders would have been 7.44%.

As set out in Appendix III to this circular, assuming completion of (i) the subscription of the Convertible Bond of HK$200 million, (ii) the partial conversion of the Convertible Bond of HK$110 million into 550,000,000 CSE Shares at a conversion price of HK$0.20 per CSE Share and (iii) the Placing had taken place on 30 June 2009, the total borrowings of the Remaining Group as at 30 June 2009 would have remained at HK$107.39 million and the Remaining Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders would have been 9.91%.

Loss on the Placing

As set out in Appendix III to this circular:

(i) on partial conversion of the Convertible Bond of HK$110 million into 550,000,000 CSE Shares at a conversion price of HK$0.20 per CSE Share on 30 June 2009, the Enlarged Group would have immediately recognised an increase in interests in associates of HK$728.28 million. The increase of HK$728.28 million comprises of the cost of investment of HK$110 million and the excess of interest in fair value of identifiable net assets over cost of HK$618.28 million, of which HK$359.73 million is attributable to the 320,000,000 CSE Placing Shares; and

(ii) assuming completion of the Placing had been take place on 30 June 2009, the Remaining Group would have recognised a loss on the Placing of HK$360.69 million.

The loss on the Placing amounting to HK$360.69 million is due to the inclusion of the excess of interest in fair value of identifiable net assets over cost attributable to the 320,000,000 CSE Placing Shares of HK$359.73 million as mentioned in (i) above. If it were taken out from the calculation of loss on the Placing, the loss would have been HK$0.96 million.

Based on the above, the Directors consider that the Placing presents an opportunity to the Enlarged Group to realise part of its investment in CSE in cash and is in the interest of the Company and the Shareholders as a whole.

Effects on shareholding structure of CSE

To the best knowledge and information of the Directors, the shareholding structure of CSE (i) as at the Latest Practicable Date; (ii) upon completion of the Placing; and (iii) upon completion of the Placing and full conversion of the Convertible Bond of the outstanding principal amount of HK$90 million at a conversion price of HK$0.20 per CSE Share by Simple View are set out below:

Name of the shareholders of CSE	As at the Latest Practicable Date		Upon completion of the Placing		Upon completion of the Placing and full conversion of the Convertible Bond of HK$90 million at a conversion price of HK$0.20 per CSE Share by Simple View	
	CSE Shares	*Approximate %*	*CSE Shares*	*Approximate %*	*CSE Shares*	*Approximate %*
Dorest *(Note 1)*	137,025	0.01	137,025	0.01	137,025	0.01
Simple View	550,000,000	29.79	230,000,000	12.46	680,000,000	29.61
Sub-total	550,137,025	29.80	230,137,025	12.47	680,137,025	29.62
Public						
Placees *(Note 2)*	—	—	320,000,000	17.33	320,000,000	13.93
Others public shareholders of CSE	1,296,359,343	70.20	1,296,359,343	70.20	1,296,359,343	56.45
Sub-total	1,296,359,343	70.20	1,616,359,343	87.53	1,616,359,343	70.38
Total	**1,846,496,368**	**100.00**	**1,846,496,368**	**100.00**	**2,296,496,368**	**100.00**

Notes:

1. These CSE Shares held by Dorest are under a charging order.

2. Some of the Placees may be existing shareholders of CSE. Any of the existing holdings of the Placees are included under “Other public shareholders of CSE”.

Listing Rules implications

The Placing constitutes a very substantial disposal of the Company under the Listing Rules and is subject to Shareholders' approval at the SGM.

As at the Latest Practicable Date, (i) Mr. Heung and Ms. Chen were the common executive directors of the Company and CSE and Mr. Ho Wai Chi, Paul was a common independent non-executive director of the Company and CSE; (ii) Dorest was beneficially interested in 137,025 CSE Shares, representing approximately 0.01% of the issued share capital of CSE; (iii) Mr. Heung and Ms. Chen were also interested in 26,367 and 26,367 share options of CSE respectively; and (iv) Mr. Ho Wai Chi, Paul was not interested in any CSE Shares.

The Placing Agent and its associates will abstain from voting at the SGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, no Shareholders, other than the Placing Agent and its associates, are required to abstain from voting at the SGM.

REFRESHMENT OF SCHEME MANDATE LIMIT

Pursuant to a resolution passed at the special general meeting of the Company held on 21 January 2002, the Share Option Scheme was adopted and the old share option scheme was terminated.

The purpose of the Share Option Scheme is to provide incentives and rewards to Eligible Persons for their contribution or potential contribution to the Group. The exercise price of an Option must be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business day immediately preceding the date of grant; and (iii) the nominal value of the Share.

Apart from the Share Option Scheme, the Company has no other share option scheme in place.

Pursuant to the Share Option Scheme, the total number of Shares which may be issued upon exercise of all Options to be granted by the Company under the Share Option Scheme and any other options to be granted by the Company under any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme and as at the date of approving the refreshment of the Scheme Mandate Limit. Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed by Shareholders in general meeting from time to time.

On 14 September 2009, the Company refreshed the Scheme Mandate Limit, which allows the Company to grant 11,012,804 Options.

During the period from 14 September 2009 to the Latest Practicable Date, 11,010,000 Options were granted and no Options were lapsed. As at the Latest Practicable Date, there were 24,589,057 Options, which were granted under the previously refreshed Scheme Mandate Limit, outstanding and unexercised under the Share Option Scheme to which holders were entitled to subscribe for 24,589,057 Shares, representing approximately 18.61% of the issued share capital of the Company.

Unless the Scheme Mandate Limit is refreshed at the SGM, 2,804 Options, representing approximately 0.002% of the total issued shares of the Company of 132,128,049 may be granted under the Share Option Scheme. The Directors consider that it is in the interests of the Company to refresh the Scheme Mandate Limit in accordance with the Share Option Scheme so that the Company has greater flexibility to provide incentives and rewards to the Eligible Persons for their contribution or potential contribution to the Group.

As at the Latest Practicable Date, there were 132,128,049 Shares in issue. Assuming no further Shares are issued and repurchased by the Company and no further Options are granted by the Company prior to the SGM, upon the granting of a refreshment of the Scheme Mandate Limit by the Shareholders at the SGM, the Scheme Mandate Limit (as refreshed) will allow the Company to grant Options entitling holders thereof to subscribe for Shares not exceeding 10% of the issued share capital of the Company as at the date of approving the refreshment of the Scheme Mandate Limit which are 13,212,804 Shares.

The limit on the number of Shares which may be allotted and issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Company must not exceed 30% of the Shares in issue from time to time. As at the Latest Practicable Date, such number of Shares which may by issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme does not exceed 30% of the Shares in issue.

The refreshment of the Scheme Mandate Limit is conditional upon:

(i) the passing by the Shareholders of an ordinary resolution at the SGM to approve the refreshment of the Scheme Mandate Limit; and

(ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, 10% of the Shares in issue as at the date of approval of the refreshment of the Scheme Mandate Limit which may be issued pursuant to the exercise of Options to be granted under the Share Option Scheme.

No Shareholder is required to abstain from voting on the relevant resolution in respect of the proposed refreshment of the Scheme Mandate Limit at the SGM. Application will be made to the Listing Committee of the Stock Exchange for the grant of listing of, and permission to deal in, 10% of the Shares in issue as at the date of approval of the refreshment of the Scheme Mandate Limit which may be issued pursuant to the exercise of Options to be granted under the Share Option Scheme.

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 Monday, 7 December 2009 at 4:30 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the resolutions to approve the transactions contemplated under the Placing Agreement and the refreshment of Scheme Mandate Limit are set out on pages 156 to 158 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 share registrar and transfer office 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 Placing Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the refreshment of the Scheme Mandate Limit is in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that Shareholders should vote in favour of the resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
China Star Investment Holdings Limited
Heung Wah Keung
Chairman

FINANCIAL REVIEW

In year 2009, the Group sold its entire interests in the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and World East Investments Limited ("World East") together with the loans due by each of them to the Group. The major assets of Shinhan-Golden and World East are their interests in the registered capital of 北京莎瑪房地產開發有限公司 ("Beijing Suoma"). The principal activity of Beijing Suoma is property investment. Accordingly, the results of Shinhan-Golden and World East and their subsidiaries, namely Beijing Suoma, 上海昇平文化發展有限公司 ("Shanghai Shengping") and Beijing Jianguo Real Estate Development Co., Limited (collectively the "Disposal Group") are presented separately as discontinued operations.

Loss from continuing and discontinued operations for the six months ended 30 June 2009 amounted to HK$170,482,000.

Results of continuing operations

During the six months ended 30 June 2009, the Group recorded a revenue of HK$28,346,000, a 1,317% increase from HK$2,000,000 for the same period of the previous year. The significant increase in revenue was attributable to the Group's expansion into provision of management services in August 2008. Loss from continuing operations amounted to HK$164,906,000 in the six months ended 30 June 2009, whereas the Group recorded a profit of HK$1,590,000 for the same period in 2008. Such deterioration was mainly attributable to the recognition of impairment loss on intangible assets of HK$117,320,000 and loss on disposal of subsidiaries of HK$76,060,000.

The turnover of HK$28,346,000 was generated from provision of management services. Cost of sales for the six months ended 30 June 2009 amounted to HK$642,000, which was wholly related to provision of management services. The gross profit margin for provision of management services was 97.74%.

Other income represented imputed interest income on convertible note receivable and promissory note receivable of HK$273,000 and HK$1,135,000, respectively.

Administrative expenses (before depreciation and loss on disposal of property, plant and equipment) amounted to HK$5,459,000 for the six months ended 30 June 2009, a 66% decrease from HK$16,096,000 for the same period of the previous year. The decrease was mainly attributable to the payment of consultancy fee of HK$1,650,000 and tax surcharge of HK$3,637,000 and the recognition of share-based payment expenses of HK$3,608,000 in the six month ended 30 June 2008, whereas no such expenses in 2009. In addition, the Group recorded a decrease in legal and professional fees of HK$1,500,000 in the six months ended 30 June 2009 due to the increased corporate transactions in the previous period.

At 30 June 2009, the directors reassessed the recoverable amounts of management services agreements held by Rich Daily Group Limited ("Rich Daily") with reference to the valuations performed by an independent firm of professional valuers. In light of the non-achievement of the service fee income guarantee for the 12-month ended 30 June 2009, the directors determined to recognise an impairment loss on intangible assets of HK$117,320,000 in the six months ended 30 June 2009.

During the six months ended 30 June 2009, the Group invested HK$1,250,000 in Hong Kong equities. As the fair value of financial assets at 30 June 2009 surged to HK$9,000,000, the Group recorded a gain on fair value change in financial assets at fair value through profit or loss of HK$7,750,000.

As the closing price per share in Golife Concepts Holdings Limited ("Golife") (stock code: 8172), a company listed on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), dropped to HK$0.098 on 30 June 2009, the Group recognised a loss on fair value change in conversion options embedded in convertible note receivable of HK$23,144,000 relating to the convertible note receivable issued by Golife.

Finance costs for the six months ended 30 June 2009 amounted to HK$5,221,000, representing the imputed interest expenses on the convertible notes payable in an aggregate principal amount of HK$144,000,000 issued in August 2008 for the acquisition of Rich Daily.

The Group recorded a tax credit of HK$14,340,000 which consisted of a deferred tax credit of HK$14,078,000 arising from impairment loss recognised in respect of intangible assets and a deferred tax reversal of HK$262,000 on imputed interest on convertible notes payable.

Results of discontinued operations

Turnover generated from property investment for the six months ended 30 June 2009 amounted to HK$3,102,000. No revenue was recorded for the same period in 2008 as Beijing Suoma commenced its operation in late June 2008. The loss for property investment improved by 44% from HK$10,036,000 in the six months ended 30 June 2008 to HK$5,576,000 in the six months ended 30 June 2009.

Although Beijing Suoma has commenced its operation, the investment property business remains at a loss situation as the rental income generated is well below the operating and finance costs.

Liquidity and financial resources

During the six months ended 30 June 2009, the Group mainly funded its operations through a combination of cash generated from operations, equity attributable to the Company's equity holders, bank borrowings, convertible notes payable and issuance of new shares. Equity attributable to the Company's equity holders at 30 June 2009 amounted to HK$826,090,000 (31 December 2008: HK$894,423,000).

At 30 June 2009, the cash and cash equivalents of the Group amounted to HK$42,169,000 (31 December 2008: HK$7,218,000). The increase in cash and cash equivalents of the Group was attributable to a receipt in advance of HK$35,000,000 relating to the adjustment to consideration in respect of the acquisition of Rich Daily.

At 30 June 2009, the total borrowings of the Group amounted to HK$107,394,000 (31 December 2008: HK$105,803,000), representing the liability component of the two convertible notes payable with an aggregate principal amount of HK$144,000,000 which are unsecured, interest bearing at 5% per annum and maturing on 28 August 2018. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 13% (31 December 2008: 11.8%).

Net current assets and current ratio

At 30 June 2009, the Group's net current assets and current ratio were HK$338,213,000 (31 December 2008: HK$602,720,000) and 8.7 (31 December 2008: 0.5), respectively.

Capital structure

On 9 January 2009, 39,000,000 new shares of HK$0.01 each were allotted and issued at a price of HK$0.102 per share by way of top-up placing raising HK$3,820,000 (net of expense) for reducing the Group's bank borrowings.

On 11 February 2009, 200,000,000 new shares of HK$0.01 each were allotted and issued at a price of HK$0.102 per share by way of placing raising HK$19,870,000 (net of expense) for reducing the Group's bank borrowings.

On 2 March 2009, 300,000,000 new shares of HK$0.01 each were allotted and issued at a price of HK$0.091 per share by way of placing raising HK$26,850,000 (net of expense) for reducing the Group's bank borrowings.

On 30 March 2009, 367,093,498 new shares of HK$0.01 each were allotted and issued at a subscription price of HK$0.10 per share by way of open offer to the qualifying shareholders on the basis of one new share for every two existing shares held on 9 March 2009 raising HK$34,339,000 (net of expenses) for financing possible diversified investments of the Group and general working capital of the Group.

To reduce the overall transaction and handling costs for dealing in the Company's shares, the directors proposed the following changes to the capital of the Company on 20 February 2009:

(a) share consolidation — that every ten issued existing shares of HK$0.01 each be consolidated into one issued consolidated share of HK$0.10; and

(b) capital reduction — that (i) the total number of consolidated shares of HK$0.10 each in the issued share capital of the Company following the share consolidation be rounded down to a whole a number by cancelling the fractional share arising from the share consolidation; (ii) the nominal value of each of the issued consolidated shares of HK$0.10 be reduced to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.09 on each issued consolidated share; and (iii) the amount of credit arising from capital reduction be credited to the contributed surplus account of the Company.

The capital reorganisation was approved by the shareholders on 22 April 2009 and became effective on 23 April 2009.

Disposal of subsidiaries and acquisition of an associated company

On 8 April 2009, the Group sold its interests in the entire issued share capital of Shinhan-Golden and World East together with the loans due by each of them to the Group to Mega Shell Services Limited ("Mega Shell"), a wholly-owned subsidiary of Golife, at a consideration of HK$212,732,000. The consideration was settled in the following manner (i) the cash payment of HK$6,847,000, (ii) the issue of 11,769,194 new shares in Golife credited as fully paid at an issue price of HK$0.50 per share, (iii) the issue of a promissory note of HK$100,000,000 by Golife and (iv) the issue of a convertible note of HK$100,000,000 with an initial conversion price of HK$0.50 per conversion share (subject to adjustment) by Golife. A loss on disposal of HK$76,060,000 and a gain on excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost of HK$17,122,000 were resulted and have been recognised. The disposal together with the related transactions was approved by the shareholders on 12 February 2009.

On the completion of disposal of Shinhan-Golden and World East, the Group was interested in 20.36% of the issued share capital of Golife. Following the completion of placing of 11,560,000 new shares to independent third parties by Golife on 14 May 2009, the Group's interest in Golife was diluted to 16.96% and the Group recognised a loss on deemed disposal of an associate of HK$4,931,000. Despite the Group's interest in Golife stands at 16.96%, the shares in Golife are accounted for investment in an associate as the Group is the largest single shareholder of Golife.

On 23 April 2009, the Group signed an undertaking to subscribe for 94,153,552 new shares in Golife at a subscription price of HK$0.10 per share to which the Group was entitled to under the open offer to the qualifying shareholders of Golife on the basis of eight new shares for every one existing shares as announced by Golife on the same date. The subscription price for the new shares in Golife amounted to HK$9,415,000. The reasons for the Group for entering into the undertaking are to maintain its substantial level of shareholding interest in Golife and to facilitate the open offer for raising additional capital to strengthen Golife's capital base. The open offer was completed on 2 July 2009.

For the six months ended 30 June 2009, Golife recorded a turnover of HK$11,823,000 and a consolidated profit of HK$2,396,000. The consolidated net assets of Golife at 30 June 2009 amounted to HK$150,387,000. Golife contributed a loss of HK$2,566,000 to the Group for the period from 8 April 2009 to 30 June 2009.

During the six months ended 30 June 2009, the global crisis resulted in significant drop in consumer spending all over the world. The management of Golife took a number of measures to streamline the Golife's operations and to control the overall operating costs. On the other hand, Golife will aim to diversify its business and raise funds from capital market in order to strengthen its capital base. Subsequence to 30 June 2009, Golife announced to acquire an artist management business and a film production and distribution business with an aim to diversify its revenue and earnings base and dispose of the apartment units and car parks of its investment property located at Beijing in order to reduce its borrowings.

Loan to Shanghai Shengping

At the date of completion of disposal of Shinhan-Golden and World East, Shanghai Shengping was indebted to the Group in the sum of HK$375,536,000. Pursuant to the sale and purchase agreement, the loan to Shanghai Shengping to the Group was not settled immediately upon completion and Golife has provided a guarantee to the Group for a term of maximum of three financial years of Golife ending 31 December 2011 to secure the repayment. If any part of the amount has not been settled on the day falling on the fifth anniversary of the date of completion, Golife will issue a convertible bond to settle the outstanding balance of the loan to Shanghai Shengping.

During the six months ended 30 June 2009, Shanghai Shengping repaid HK$120,000,000 to the Group. At 30 June 2009, the outstanding balance amounted to HK$255,536,000.

The loan to Shanghai Shengping is secured by a guarantee given by Golife, interest-free and has no fixed terms of repayment.

Segmental information

During the six months ended 30 June 2009, turnover from provision of management services amounted to HK$28,346,000, accounted for 100% of the Group's turnover.

For the six months ended 30 June 2009, provision of management services generated a segment loss of HK$89,616,00 and sales of financial assets generated a segment profit of HK$7,750,000.

At 30 June 2009, the segment assets of sub-licensing, provision of management services and sales of financial assets were HK$16,000, HK$343,609,000 and HK$46,672,000, respectively. The unallocated corporation assets of the Group amounted to HK$634,681,000 at 30 June 2009.

At 30 June 2009, the segment liabilities of sub-licensing, provision of management services and sales of financial assets were HK$nil, HK$35,000,000 and HK$617,000, respectively. The unallocated corporation liabilities of the Group amounted to HK$163,271,000 at 30 June 2009.

Loan to China Star Entertainment Limited

On 29 April 2009, the Company made a loan of HK$200,000,000 to China Star Entertainment Limited ("CSEL") (stock code: 326), a company listed on the Main Board of the Stock Exchange, pursuant to the loan agreement dated 11 March 2009. The loan is unsecured, interest bearing at prime rate as quoted by The Hong Kong and Shanghai Banking Corporation per annum and maturing on 28 April 2012.

The Company may at any time before the maturity date demand a repayment of the whole or part of the loan by serving 20 business days prior written notice to CSEL. The directors consider that the loan made to CSEL provides an opportunity to yield a higher rate of return on the Group's surplus cash than bank deposits.

The loan to CSEL constituted a major transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and was approved by the shareholders, other than Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and their associates, on 22 April 2009.

Future plan for material investment of the Company

At 30 June 2009, the Group did not have any future plan for material investment.

Pledge of assets

At 30 June 2009, no assets of the Group were pledged.

Material commitments

At 30 June 2009, the Group had a commitment of HK$9,415,000 relating to the subscription for 94,153,552 new shares in Golife at a price of HK$0.10 per share pursuant to the undertaking dated 23 April 2009.

Exchange risk and hedging

During the six months ended 30 June 2009, the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. The Group considers its exchange risk is minimal. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Contingent liabilities

At 30 June 2009, the Company had provided a corporate guarantee to Hang Seng Bank Limited, Fuzhou Branch for securing the loan facilities of an outstanding principal amount together with interest thereon of HK$302,369,000 granted to Beijing Suoma, a wholly-owned subsidiary of Golife.

Employees and remuneration policy

At 30 June 2009, the headcount of the Group was 20 (2008: 22 for continuing operations; 68 for discontinued operations). Staff costs (including directors' remuneration) amounted to HK4,405,000, of which HK$3,463,000 was related to continuing operations and HK$942,000 was related to discontinued operations (2008: HK$6,189,000 for continuing operations; HK$2,309,000 for discontinued operations). In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

OPERATIONS REVIEW

Continuing operations

During the six months ended 30 June 2009, no revenue was generated from the Group's film distribution business as the Group was not able to secure a sufficient quantity of films at reasonable prices for distribution.

Following a series of quantitative easing measures carried out by central banks, the market sentiment improves and global equities rally. During the six months ended 30 June 2009, the Group reactivated its sale of financial assets business and recorded a gain of HK$7,750,000 arising from fair value change in financial assets at fair value through profit or loss. At 30 June 2009, the fair value of financial assets amounted to HK$9,000,000.

During the six months ended 30 June 2009, Rich Daily generated services fee income amounted to HK$28,346,000. Rich Daily is a management services provider to the concierge departments of gaming promoters. The monthly service fee earned by Rich Daily is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoters. Following the outbreak of global financial crisis, Rich Daily recorded a drop in its services fee income from September 2008 to February 2009. With Beijing's efforts to reflate the Chinese economy, the Group has seen a gradual improvement on the monthly service fee income since March 2009. The directors believe that Rich Daily strengthens the Group's profitability and cash inflow.

Pursuant to the sale and purchase agreement dated 28 February 2008, Mr. Ng Cheuk Fai, the vendor, has irrevocably and unconditionally guaranteed to the Group, the purchaser, that the service fee income of Rich Daily for the 12-month ended 30 June 2009 shall not be less than HK$72,000,000. However, the actual service fee income received by Rich Daily for the said 12-month period amounted to HK$57,224,000. Subsequent to 30 June 2009, the consideration for acquiring Rich Daily has been adjusted from HK$504,000,000 to HK$400,566,000 and Mr. Ng Cheuk Fai has settled the adjustment to the consideration of HK$103,434,000 in accordance with the terms of the sale and purchase agreement.

Best Season Holdings Corp. ("Best Season"), a 75% owned subsidiary of the Company, has been established to invest in, manage and conduct branding for real estate and/or related properties in Macau. Due to the downturn in Macau's property market in the second half of 2008 and the concentration on the Group's resources on newly expanded business, the business development of Best Season has temporarily been suspended. As a result, no contribution was made from Best Season in the six months ended 30 June 2009.

Discontinued operations

During the period from 1 January 2009 to 8 April 2009, the Disposal Group's investment properties generated an average monthly rental income of HK$950,000 and achieved an average monthly occupancy of 18%. The unsatisfactory occupancy was a direct result of weak leasing demand in the first half of 2009. The weaken demand for serviced apartments in Beijing primarily resulted from the negative impact of the global financial crisis which caused a cut in the number of expatriates staff stationed in Beijing by many multinational companies.

FUTURE PROSPECTS

As the number of films produced by Hong Kong independent producers has decreased in recent years, the Group is not able to source a sufficient quantity of films at reasonable prices for distribution. Given the supply of films is weak and the cost of maintaining a distribution network is high, the Group has further scaled down its film distribution operations in the second half of 2009.

As Hong Kong stock market rallied shapely in July 2009, the Group took profit in its Hong Kong equities by selling all of them in August 2009 and recorded a further gain on fair value change in financial assets at fair value through profit or loss of HK$6,465,000. The Group will continue to adopt a prudence approach in investing Hong Kong equities to enhance the returns to its shareholders.

With Macau's gaming revenue surged to its highest-ever monthly figure in August 2009 and the proposed lifting of visa restriction on Guangdong residents to Macau, the directors believe that the provision of management services business will continue to contribute positively to the Group in the second half of 2009.

Although the global economy has shown a sign of improvement, the directors believe that the second half of 2009 remains challenging. However, the directors consider that such kind of economics climate provides opportunities to the Group to invest with reasonable prices. The Group will actively seek investment opportunities to diversify its businesses and broaden its revenue base.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, the reporting accountants, in connection with the Group.

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

20 November 2009

The Directors
China Star Investment Holdings Limited
Room 3408, Shun Tak Center, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of China Star Investment Holdings Limited (the "Company") and its subsidiaries (herein collectively referred to as the "Group") set out in Section I and II below, for inclusion in the circular of the Company dated 20 November 2009 (the "Circular") of very substantial disposal in connection with the proposed placing of 320,000,000 shares in the issued share capital of China Star Entertainment Limited. The Financial Information comprises the consolidated statement of financial position of the Group and the statement of financial position of the Company at 31 December 2006, 2007 and 2008 and 30 June 2009 and the consolidated income statements, the consolidated statement of comprehensive income, the consolidated statements of change in equity and the consolidated statements of cash flow for each of the years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2008 and 2009 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in Bermuda on 29 October 1999 as an exempted company with limited liability and is engaged in investment holding.

At the date of this report, the Company had direct and indirect interests in the principal subsidiaries as set out in note 38 of section I below all of which are private companies. The Company and its subsidiaries have adopted 31 December as their financial year end date. We have acted as auditors of the Company and have audited the consolidated financial statements of the Group for the Relevant Periods.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited consolidated financial statements of the Group for each of the years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2009 on the basis set out in note 3 (a) below. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Company and of the Group at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the results and cash flows of the Group for the periods then ended.

COMPARATIVE FINANCIAL INFORMATION

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation of the unaudited financial information of the Group including the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of change in equity and the consolidated cash flow statement for the six months ended 30 June 2008 (the "Comparative Unaudited Financial Information"), together with the notes thereto.

For the Comparative Unaudited Financial Information, our responsibility is to express a conclusion on the Comparative Unaudited Financial Information based on our review and to report our conclusion to you. We concluded our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Comparative Unaudited Financial Information is free from material misstatement. A review is limited primarily to inquire of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

On the basis of the Comparative Unaudited Financial Information which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the consolidated results and cash flows of the Group for the six months ended 30 June 2008.

I. FINANCIAL INFORMATION OF THE GROUP

Consolidated Income Statement

		For the year ended 31 December			For the six months ended 30 June	
		2006	2007	2008	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Continuing operations						
Turnover	*6*	7,492	7,722	19,253	2,000	28,346
Cost of sales		(267)	—	(493)	—	(642)
Gross profit		7,225	7,722	18,760	2,000	27,704
Other revenue and other income	*7*	5,350	2,922	2,427	2,177	3,134
Administrative expenses		(21,648)	(55,393)	(26,462)	(16,441)	(5,715)
Impairment loss recognised in respect of goodwill	*22*	—	—	(101,965)	—	—
Impairment loss on intangible assets	*17*	—	—	—	—	(117,320)
Fair value changes of conversion options embedded in convertible note receivable		—	—	—	—	(23,144)
Fair value changes of financial asset at fair value through profit or loss	*27*	—	—	—	—	7,750
Loss on disposal of subsidiaries	*40*	—	—	—	—	(76,060)
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost	*18*	—	—	—	—	17,122
Loss on deemed disposal of an associate	*18*	—	—	—	—	(4,931)
Loss from operations	*8*	(9,073)	(44,749)	(107,240)	(12,264)	(171,460)
Finance costs	*9*	(100)	—	(3,350)	—	(5,221)
Share of results of an associate	*18*	—	—	—	—	(2,566)
Loss before taxation		(9,173)	(44,749)	(110,590)	(12,264)	(179,247)
Taxation	*11*	—	—	13,854	13,854	14,341

		For the year ended 31 December			For the six months ended 30 June	
		2006	**2007**	**2008**	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
(Loss)/profit for the year/period from continuing operations		(9,173)	(44,749)	(96,736)	1,590	(164,906)
Discontinued operations						
(Loss)/profit for the year/period from discontinued operations	12	(12,121)	70,443	(127,772)	(10,036)	(5,576)
(Loss)/profit for the year/period		(21,294)	25,694	(224,508)	(8,446)	(170,482)
(Loss)/profit attributable to equity holders of the Company		(21,294)	25,694	(224,508)	(8,446)	(170,482)
Dividend	14	—	—	—	—	—
(Loss)/earnings per share attributable to equity holders of the Company during the year/period-basic and diluted (Hong Kong cents)						
From continuing operations	13	(14.15)	(43.47)	(49.56)	0.81	(226.77)
From discontinued operations	13	(18.69)	68.43	(65.46)	(5.14)	(7.67)
From continuing and discontinued operations		(32.84)	24.96	(115.02)	(4.33)	(234.44)

Consolidated Statement of Comprehensive Income

		For the year ended 31 December			For the six months ended 30 June	
		2006	**2007**	**2008**	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
(Loss)/profit for the year/ period		(21,294)	25,694	(224,508)	(8,446)	(170,482)
Other comprehensive income for the year/period (after tax and reclassification adjustments):						
Exchange differences on translation of investments in foreign subsidiaries		7,201	29,533	34,550	36,730	424
Share of convertible note reserve of an associate	*18*	—	—	—	—	14,493
Share of exchange reserve of an associate	*18*	—	—	—	—	105
		7,201	29,533	34,550	36,730	15,022
Total comprehensive (loss)/ income for the year/period		(14,093)	55,227	(189,958)	28,284	(155,460)
Attributable to:						
Equity holders of the Company		(14,093)	55,227	(189,958)	28,284	(155,460)

Consolidated Statement of Financial Position

		At 31 December			At 30 June
		2006	2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*15*	2,468	6,000	2,155	1,899
Investment properties	*16*	678,000	887,450	—	—
Intangible assets	*17*	—	—	456,857	339,537
Interests in an associate	*18*	—	—	—	25,506
Promissory note receivable	*19*	—	—	—	72,434
Convertible note receivable	*20*	—	—	—	3,061
Loan to a related company	*21*	—	—	—	200,000
Goodwill	*22*	77,284	39,456	—	—
Club membership		172	172	172	172
		757,924	933,078	459,184	642,609
Current assets					
Inventories	*23*	45,154	32,783	—	—
Trade receivables	*24*	936	1,245	6,839	4,468
Deposits, prepayments and other receivables	*25*	19,254	31,830	1,627	11,482
Loan to an associate	*26*	—	—	—	255,536
Financial assets at fair value through profit or loss	*27*	28,100	—	—	9,000
Conversion options embedded in convertible note receivable	*20*	—	—	—	59,714
Tax prepayments	*28*	7,720	12,120	—	—
Cash and cash equivalents	*29*	63,140	531,396	7,218	42,169
		164,304	609,374	15,684	382,369
Assets of disposal group classified as held for sale	*12*	—	—	1,049,412	—
		164,304	609,314	1,065,096	382,369
Total assets		922,228	1,542,452	1,524,280	1,024,978
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	*30*	64,843	195,186	1,952	1,101
Reserves		334,793	850,894	892,471	824,989
		399,636	1,046,080	894,423	826,090
Minority interest		3,896	3,896	—	—
Total equity		403,532	1,049,976	894,423	826,090

Consolidated Statement of Financial Position

		At 31 December			At 30 June
		2006	2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Current liabilities					
Accruals and other payables	*32*	20,208	19,245	32,956	7,946
Receipts in advance and deposits received	*33*	60,898	47,041	477	35,479
Amounts due to related companies	*34*	606	701	600	—
Secured bank loans — due within one year	*35*	5,470	27,533	—	—
Tax payable		23,240	22,969	731	731
		110,422	117,489	34,764	44,156
Liabilities of disposal group classified as held for sale	*12*	—	—	427,612	—
		110,422	117,489	462,376	44,156
Non-current liabilities					
Secured bank loans — due after one year	*35*	351,957	301,485	—	—
Convertible notes payable	*36*	—	—	105,803	107,394
Deferred taxation	*37*	56,317	73,502	61,678	47,338
		408,274	374,987	167,481	154,732
Total equity and liabilities		922,228	1,542,452	1,524,280	1,024,978
Net current assets		53,882	491,885	602,720	338,213
Total assets less current liabilities		811,806	1,424,963	1,061,904	980,822

Statement of Financial Position

		At 31 December			At 30 June
		2006	2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Interests in subsidiaries	*38*	41,824	4,873	366,305	329,992
Loan to a related company	*21*	—	—	—	200,000
		41,824	4,873	366,305	529,992
Current assets					
Deposits, prepayments and other receivables	*25*	1,801	2,250	—	1,726
Loan to an associate	*26*	—	—	—	255,536
Cash and cash equivalents	*29*	55,862	489,538	278	6,140
		57,663	491,788	278	263,402
Total assets		99,487	496,661	366,583	793,394
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	*30*	64,843	195,186	1,952	1,101
Reserves	*31*	25,708	262,946	214,983	626,917
Total equity		90,551	458,132	216,935	628,018
LIABILITIES					
Current liabilities					
Accruals and other payables	*32*	233	943	1,080	7,746
Amounts due to subsidiaries	*38*	8,703	37,586	35,910	43,643
		8,936	38,529	36,990	51,389
Non-current liabilities					
Convertible notes payable	*36*	—	—	105,803	107,394
Deferred taxation	*37*	—	—	6,855	6,593
		—	—	112,658	113,987
Total equity and liabilities		99,487	496,661	366,583	793,394
Net current assets/(liabilities)		48,727	453,259	(36,712)	212,013
Total assets less current liabilities		90,551	458,132	329,593	742,005

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital reserve	Contributed surplus	Special reserve	Share-based payment reserve	Convertible notes reserve	Exchange reserve	(Accumulated losses)/ retained profits	Sub-total	Minority interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	51,540	127,865	19,834	80,103	–	–	–	–	(111,732)	167,610	–	167,610
Issuance of new share	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 *(note 39)*	–	–	–	–	(19,955)	–	–	–	–	(19,955)	–	(19,955)
Exchange differences arising from translation of investment in foreign subsidiaries	–	–	–	–	–	–	–	7,201	–	7,201	–	7,201
Net loss for the year	–	–	–	–	–	–	–	–	(21,294)	(21,294)	–	(21,294)
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
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
Net profit for the year	–	–	–	–	–	–	–	–	25,694	25,694	–	25,694
At 31 December 2007 and 1 January 2008	195,186	813,058	19,844	80,103	(19,955)	28,442	–	36,734	(107,332)	1,046,080	3,896	1,049,976
Capital reorganisation *(note 30)*												
– capital reduction	(193,235)	–	–	193,235	–	–	–	–	–	–	–	–
– share premium cancellation	–	(813,058)	–	813,058	–	–	–	–	–	–	–	–
– set-off accumulated losses against contributed surplus	–	–	–	(518,374)	–	–	–	–	518,374	–	–	–
Exercise of share options	1	–	–	–	–	–	–	–	–	1	–	1
Share-based payment expenses	–	–	–	–	–	3,608	–	–	–	3,608	–	3,608
Acquisition of remaining interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(3,896)	(3,896)
Issuance of convertible notes												
– Equity component	–	–	–	–	–	–	41,547	–	–	41,547	–	41,547
Deferred tax recognised	–	–	–	–	–	–	(6,855)	–	–	(6,855)	–	(6,855)
Exchange differences arising from translation of investment in foreign subsidiaries	–	–	–	–	–	–	–	34,550	–	34,550	–	34,550
Net loss for the year	–	–	–	–	–	–	–	–	(224,508)	(224,508)	–	(224,508)
At 31 December 2008 and 1 January 2009	1,952	–	19,844	568,022	(19,955)	32,050	34,692	71,284	186,534	894,423	–	894,423
Issue of new shares	9,061	78,066	–	–	–	–	–	–	–	87,127	–	87,127
Capital reorganisation *(note 30)*												
– capital reduction	(9,912)	–	–	–	–	–	–	–	–	(9,912)	–	(9,912)
– set-off accumulated losses against contributed surplus	–	–	–	9,912	–	–	–	–	–	9,912	–	9,912
Share of reserves of an associate	–	–	–	–	–	–	14,493	105	–	14,598	–	14,598
Exchange differences arising from translation of investment in foreign subsidiaries	–	–	–	–	–	–	–	424	–	424	–	424
Net loss for the period	–	–	–	–	–	–	–	–	(170,482)	(170,482)	–	(170,482)
At 30 June 2009	1,101	78,066	19,844	577,934	(19,955)	32,050	49,185	71,813	16,052	826,090	–	826,090

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital reserve	Contributed surplus	Special reserve	Share-based payment reserve	Convertible notes reserve	Exchange reserve	(Accumulated losses)/ retained profits	Sub-total	Minority interest	Total
(Unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	195,186	813,058	19,844	80,103	(19,955)	28,442	–	36,734	(107,332)	1,046,080	3,896	1,049,976
Exercise of share option	1	–	–	–	–	–	–	–	–	1	–	1
Capital reorganisation *(note 30)*												
– capital reduction	(193,235)	–	–	193,235	–	–	–	–	–	–	–	–
– share premium cancellation	–	(813,058)	–	813,058	–	–	–	–	–	–	–	–
– set-off accumulated losses against contributed surplus	–	–	–	(518,374)	–	–	–	–	518,374	–	–	–
Share-based payment expenses	–	–	–	–	–	3,608	–	–	–	3,608	–	3,608
Acquisition of remaining interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(3,896)	(3,896)
Exchange differences arising from translation of investment in foreign subsidiaries	–	–	–	–	–	–	–	36,730	–	36,730	–	36,730
Net loss for the period	–	–	–	–	–	–	–	–	(8,446)	(8,446)	–	(8,446)
At 30 June 2008	1,952	–	19,844	568,022	(19,955)	32,050	–	73,464	402,596	1,077,973	–	1,077,973

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 prior to the allotment of 120 shares to Classical Statue Limited and the amount arising from issue of share by a subsidiary.

(ii) The contributed surplus account of the Group represents the net amount transferred from the share capital, share premium account and to the retained profits/accumulated losses account pursuant to the special resolution passed at the special general meeting held on 22 August 2003, 30 April 2008 and 22 April 2009.

(iii) The special reserve of the Group 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 Statement of Cash Flow

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Re-presented) (Unaudited)	*HK$'000*
OPERATING ACTIVITIES					
Loss before taxation from continuing operations	(2,854)	(44,749)	(110,590)	(12,264)	(179,247)
(Loss)/profit before taxation from discontinued operations	(18,245)	83,599	(149,986)	(4,997)	(4,975)
(Loss)/profit before taxation	(21,099)	38,850	(260,576)	(17,261)	(184,222)
Adjustment for:					
Interest income	(4,314)	(2,990)	(3,639)	(2,579)	(466)
Interest income on loan to a related company	—	—	—	—	(1,726)
Imputed interest income on convertible note receivable	—	—	—	—	(272)
Imputed interest income on promissory note receivable	—	—	—	—	(1,135)
Dividend income	(754)	(78)	—	—	—
Waiver of secured bank loan interest	—	(106,956)	—	—	—
Share of results of an associate	—	—	—	—	2,566
Excess of acquirer's interest in fair vale of acquiree's identifiable net assets over cost	—	—	—	—	(17,122)
Loss on deemed disposal of an associate	—	—	—	—	4,931
Loss on disposal of subsidiaries	—	—	—	—	76,060
Impairment loss in respect of intangible assets	—	—	—	—	117,320
Fair value changes of financial assets at fair value through profit or loss	(5,360)	—	—	—	(7,750)
Fair value changes of conversion options embedded in convertible note receivable	—	—	—	—	23,144
Fair value changes of investment properties	(590)	(43,853)	74,045	(16,798)	—
Finance costs	9,615	19,494	28,639	12,821	10,899
Depreciation of property, plant and equipment	652	1,158	5,033	1,806	1,549
Impairment loss recognised in respect of goodwill	—	37,828	142,347	—	—
Impairment loss recognised in respect of trade receivables	1,050	9	—	—	—
Impairment loss recognised in respect of prepayments	131	—	—	—	—
Loss on disposal of property, plant and equipment	1,956	3	3	3	—
Reversal of accruals in previous year	(200)	—	—	—	—
Share-based payment expenses	—	32,282	3,608	3,608	—

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Re-presented) (Unaudited)	*HK$'000*
Operating cash flows before movements in working capital	(18,913)	(24,253)	(10,540)	(18,400)	23,776
(Increase)/decrease in inventories	(1,309)	12,371	3,814	(1,988)	—
Decrease in film rights deposits	14	—	—	—	—
Decrease/(increase) in trade receivables	2,755	(318)	(5,806)	(1,151)	2,371
(Increase)/decrease in deposits, prepayments and other receivables	34,988	(12,576)	20,505	(189,649)	(8,629)
Decrease in trade payables	(1,714)	—	—	—	—
(Decrease)/increase in accruals and other payables	(41,337)	(963)	27,672	(1,263)	(25,010)
Increase/(decrease) in receipts in advance and deposit received	1,335	(13,857)	(7,094)	17,503	35,002
(Decrease)/increase in amounts due to related companies	(34,226)	95	(101)	(38)	(100)
Change in assets held for sales	—	—	—	—	313,628
Cash generated from/(used in) operations	(58,407)	(39,501)	28,450	(194,986)	341,038
Tax refund/(paid)	(3,303)	(4,671)	3,736	3,736	—
Net cash generated from/(used in) operating activities	(61,710)	(44,172)	32,186	(191,250)	341,038
INVESTING ACTIVITIES					
Interest received	4,314	2,990	3,639	2,579	466
Dividend income	754	78	—	—	—
Proceeds from disposals of financial assets at fair value through profit or loss	13,461	—	—	—	—
Proceeds from disposal of property, plant and equipment	—	220	—	—	—
Proceeds from disposal of subsidiaries	—	—	—	—	6,847
Loan to an associate	—	—	—	—	(255,536)
Loan to a related company	—	—	—	—	(200,000)
Effect from acquisition of interest in subsidiaries	415	—	(364,821)	(4,822)	—
Additions of investment properties	(15,852)	(116,960)	(42,202)	(28,129)	—
Purchase of financial assets at fair value through profit or loss	(5,634)	—	—	—	(1,250)
Purchase of property, plant and equipment	(1,156)	(4,908)	(22,397)	(17,361)	(3)
Net cash used in investing activities	(3,698)	(118,580)	(425,781)	(47,733)	(449,476)

	Note	For the year ended 31 December 2006 HK$'000	2007 HK$'000	2008 HK$'000	For the six months ended 30 June 2008 HK$'000 (Re-presented) (Unaudited)	2009 HK$'000
FINANCING ACTIVITIES						
Interest paid		(9,615)	(19,494)	(25,289)	(12,915)	(9,308)
Issuance of new shares and exercise of share options		—	562,775	1	1	87,127
Repayment of secured bank loans		(250,000)	5,359	(28,602)	(11,368)	(17,006)
Secured bank loan raised		250,470	65,922	—	—	—
Net cash generated from/(used in) financing activities		(9,145)	614,562	(53,890)	(24,282)	60,813
Net (decrease)/increase in cash and cash equivalents		(74,553)	451,810	(447,485)	(263,265)	(47,625)
Effect of foreign exchange rate changes		(280)	16,446	5,459	13,659	424
Cash and cash equivalents at beginning of year/period		137,973	63,140	531,396	531,396	89,370
Cash and cash equivalent at end of year/period		63,140	531,396	89,370	281,790	42,169
Analysis of the balances of cash and cash equivalents						
Cash and cash equivalents per the consolidated statement of financial position	*29*	63,140	531,396	7,218	281,790	42,169
Included in assets of disposal group classified as held for sale	*12*	—	—	82,152	—	—
		63,140	531,396	89,370	281,790	42,169

Notes to the Financial Information

1. GENERAL INFORMATION

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 "Stock Exchange").

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 38 to the consolidated financial statements.

The consolidated financial statements are presented in thousands of units of Hong Kong Dollars (HK$'000), which is the same as the functional currency of the Company.

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

The HKICPA has issued a number of new or revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "New HKFRSs") which are effective for the Group's financial year beginning on 1 January 2009. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these New HKFRSs throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations.

HKFRSs (Amendments)	Improvements to HKFRSs 2008 — amendments to HKFRS 5[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendments)	Classification of Rights Issues[3]
HKAS 39 (Amendments)	Eligible Hedged Items[1]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[4]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[5]

1 Effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

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

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

5 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented.

3. 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/periods 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 HKFRSs, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (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.

Assets of disposal group classified as held for sale are stated at the lower of carrying amounts and fair values less costs to sell. The accounting policy of note 3(y) to the consolidated financial statements has mentioned the amendments and classification.

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 30 June 2009.

The results of subsidiaries acquired or disposed 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 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) Business combination

The acquisition of a business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) 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.

Revenue from sales of financial assets at fair value through profit or loss is 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.

Service fee income is recognised when the services are rendered.

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.

(e) 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 consolidated income statement in the year/period 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 consolidated income statement in the year/period in which the reversals are recognised.

(f) 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/period. Taxable profit is the profit for the year/period, 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 assets 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 consolidated 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.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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 has been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of 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 assets and is recognised in the consolidated income statement in the year/period in which the asset is derecognised.

(h) 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 consolidated income statement in the year/period 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 sale proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year/period in which the investment properties are derecognised.

(i) 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 statement of financial position, 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.

(j) 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 consolidated 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 consolidated 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.

(k) Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to consolidated income statement on a straight-line basis over the assets' estimated useful lives from the date when they are available for use.

Both the period and method of amortisation are reviewed annually.

(l) Inventories

Inventories on finished goods are stated at lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

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.

(m) Financial instruments

Financial assets

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.

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. 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 consolidated income statement in the year/period 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 consolidated income statement as gains or losses from investments 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 the 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 consolidated income statement — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

(i) *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

(ii) Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes reserve).

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

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period of the convertible loan notes using the effective interest method.

(iii) Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to relate companies and borrowings are subsequently measured at amortized cost, using the effective interest method.

(iv) Equity instruments

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

(v) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss from fair value changes is recognised in profit or loss.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contacts and the host contacts are not measured at fair value with changes in fair value recognised in profit or loss.

(n) 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 consolidated income statement.

(o) 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 in the consolidated balance sheet.

(p) 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 consolidated income statement over the period of the borrowings using the effective interest method.

(q) 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 consolidated balance sheet as a finance lease obligation. Finance costs are charged to the consolidated 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 consolidated income statement on a straight-line basis over the relevant lease term.

(r) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of the 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.

(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 consolidated 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 positions 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.

(s) 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 consolidated 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 consolidated income statement, and a corresponding adjustment to equity in the consolidated 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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 consolidated 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.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(y) Disposal groups classified as held for sale and discontinued operations

(i) Disposal groups classified as held for sale

A disposal group is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the disposal group is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of all individual assets and liabilities in a disposal group is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the disposal group, is recognised at the lower of its carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in the consolidated income statement. As long as a disposal group is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (as referred to in (i) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(z) Interests in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations). Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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.

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) Impairment of goodwill and intangible assets

The Group performs annual tests on whether there has been impairment of goodwill and intangible assets in accordance with the accounting policy stated in notes 3(j) and 3(k) to the consolidated financial statements respectively. The recoverable amounts of cash-generating units are 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 and intangible assets is stated in notes 22 and 17 to the consolidated financial statements respectively.

(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 is 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 receivables to the consolidated 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, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the assets are 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 16 to the consolidated financial statements, the investment properties were revalued at the balance sheet date on market value basis by reference to an independent professional valuation. 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.

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Estimated impairment loss on convertible notes receivable

In determining whether there is objective evidence of impairment of the convertible notes receivable in relation to the Group's convertible notes receivable, the Group takes into consideration of its estimation of future cashflows. The amount of the impairment loss for convertible notes receivable is measured as the difference between carrying amount of the convertible notes receivable and the present value of estimated future cash flows discounted at its original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. SEGMENT INFORMATION

For Presentation of Financial Information the Group has early adopted HKFRS 8 "Operating Segments" with effect from 1st January 2006. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard, HKAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

(a) Business segments

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. The Group's reportable segments under HKFRS 8 are therefore identical to the business segments under HKAS 14, namely:

(i)	Distribution	Distribution of films
(ii)	Sub-licensing	Sub-licensing of film rights
(iii)	Sales of financial assets	Sales of financial assets at fair value through profit or loss
(iv)	Property investment	Leasing of rental properties
(v)	Provision of management services	Provision of management services to concierge departments of gaming promoters appointed by Macau casinos

The following is an analysis of the Group's revenue and results by operating segment for the Relevant Periods:

Consolidated income statement

For the year ended 31 December 2006 (Re-presented)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	164	200	7,128	—	—	7,492	1,883	9,375
Segment result	74	23	7,128	—	—	7,225	2,203	9,428
Unallocated corporate income						5,350	549	5,899
Unallocated corporate expenses						(21,648)	(5,163)	(26,811)
Loss from operations						(9,073)	(2,411)	(11,484)
Finance costs						(100)	(9,515)	(9,615)
Loss before taxation						(9,173)	(11,926)	(21,099)
Taxation						—	(195)	(195)
Loss for the year						(9,173)	(12,121)	(21,294)

Consolidated income statement

For the year ended 31 December 2007 (Re-presented)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	–	–	7,722	–	–	7,722	2,917	10,639
Segment result before impairment loss recognised in respect of goodwill	–	–	7,722	–	–	7,722	45,912	53,634
Impairment loss recognised in respect of goodwill	–	–	–	–	–	–	(37,828)	(37,828)
Segment results	–	–	7,722	–	–	7,722	8,084	15,806
Unallocated corporate income						2,922	107,239	110,161
Unallocated corporate expenses						(55,393)	(12,230)	(67,623)
Profit/(loss) from operations						(44,749)	103,093	58,344
Finance costs						–	(19,494)	(19,494)
Profit/(loss) before taxation						(44,749)	83,599	38,850
Taxation						–	(13,156)	(13,156)
Profit/(loss) for the year						(44,749)	70,443	25,694

Consolidated income statement

For the year ended 31 December 2008

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	—	2,000	(962)	18,215	—	19,253	20,826	40,079
Segment result before impairment loss recognised in respect of goodwill	—	2,000	(962)	17,722	—	18,760	(60,395)	(41,635)
Impairment loss recognised in respect of goodwill	—	—	—	(101,965)	—	(101,965)	(40,382)	(142,347)
Segment results	—	2,000	(962)	(84,243)	—	(83,205)	(100,777)	(183,982)
Unallocated corporate income						2,427	1,257	3,684
Unallocated corporate expenses						(26,462)	(25,177)	(51,639)
Loss from operations						(107,240)	(124,697)	(231,937)
Finance costs						(3,350)	(25,289)	(28,639)
Loss before taxation						(110,590)	(149,986)	(260,576)
Taxation						13,854	22,214	36,068
Loss for the year						(96,736)	(127,772)	(224,508)

Consolidated income statement

For the six months ended 30 June 2009

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	—	—	—	28,346	—	28,346	3,102	31,448
Segment results before impairment loss on intangible assets	—	—	7,750	27,704	—	35,454	3,452	38,906
Impairment loss on intangible assets	—	—	—	(117,320)	—	(117,320)	—	(117,320)
Segment results	—	—	7,750	(89,616)	—	(81,866)	3,452	(78,414)
Unallocated corporate income						3,134	512	3,646
Fair value change in conversion options embedded in convertible note receivables						(23,144)	—	(23,144)
Loss on disposal of subsidiaries						(76,060)	—	(76,060)
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost						17,122	—	17,122
Loss on deemed disposal of an associate						(4,931)	—	(4,931)
Unallocated corporate expenses						(5,715)	(3,261)	(8,976)
(Loss)/profit from operations						(171,460)	703	(170,757)
Finance costs						(5,221)	(5,678)	(10,899)
Share of results of an associate						(2,566)	—	(2,566)
Loss before taxation						(179,247)	(4,975)	(184,222)
Taxation						14,341	(601)	13,740
Loss for the period						(164,906)	(5,576)	(170,482)

Consolidated income statement

For the six months ended 30 June 2008 (Re-presented) (Unaudited)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	—	2,000	—	—	—	2,000	—	2,000
Segment results	—	2,000	—	—	—	2,000	16,798	18,798
Unallocated corporate income						2,177	428	2,605
Unallocated corporate expenses						(16,441)	(9,402)	(25,843)
(Loss)/profit from operations						(12,264)	7,824	(4,440)
Finance costs						—	(12,821)	(12,821)
Loss before taxation						(12,264)	(4,997)	(17,261)
Taxation						13,854	(5,039)	8,815
(Loss)/profit for the period						1,590	(10,036)	(8,446)

The following is an analysis of the Group's assets and liabilities by operating segment:

Consolidated statement of financial position
At 31 December 2006 (Re-presented)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Segment assets	804	7,593	32,156	—	54,615	95,168	827,060	922,228
Liabilities								
Segment liabilities	—	3,051	367	—	464,306	467,724	50,972	518,696

Consolidated statement of financial position
At 31 December 2007 (Re-presented)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Segment assets	5,185	—	—	—	504,731	509,916	1,032,536	1,542,452
Liabilities								
Segment liabilities	718	2,026	—	—	30,909	33,653	458,823	492,476

Consolidated statement of financial position
At 31 December 2008

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Segment assets	9,559	2,019	—	461,301	1,989	474,868	1,049,412	1,524,280
Liabilities								
Segment liabilities	722	—	—	54,823	146,700	202,245	427,612	629,857

Consolidated statement of financial position
At 30 June 2009

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Segment assets	—	16	46,672	343,609	634,681	1,024,978	—	1,024,978
Liabilities								
Segment liabilities	—	—	617	35,000	163,271	198,888	—	198,888

Consolidated statement of financial position

At 30 June 2008 (Re-presented) (Unaudited)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Segment assets	—	135,580	52	—	210,727	346,359	1,235,233	1,581,592
Liabilities								
Segment liabilities	—	996	—	—	4,458	5,454	498,165	503,619

Other segment information

For the year ended 31 December 2006 (Re-presented)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	1,115	—	23	—	—	1,138	15,870	17,008
Depreciation	143	1	128	—	—	272	380	652
Impairment losses recognised	1,181	—	—	—	—	1,181	—	1,181

Other segment information

For the year ended 31 December 2007 (Re-presented)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	5	—	—	—	6	11	121,856	121,867
Depreciation	563	—	—	—	—	563	595	1,158
Impairment losses recognised	—	—	—	—	—	—	37,828	37,828

Other segment information

For the year ended 31 December 2008

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	864	—	—	—	376	1,240	63,359	64,599
Depreciation	566	—	—	—	125	691	4,342	5,033
Impairment losses recognised	—	—	—	101,965	—	101,965	40,382	142,347

Other segment information

For the six month ended 30 June 2009

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Provision of management services	Sales of financial assets	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	—	—	—	—	—	—	11,602	11,602
Depreciation	212	—	—	—	44	256	1,294	1,550
Impairment losses recognised	—	—	—	—	—	—	—	—

Other segment information

For the six month ended 30 June 2008 (Re-presented) (Unaudited)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Provision of management services	Sales of financial assets	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	813	—	—	—	376	1,189	44,300	45,489
Depreciation	277	—	—	—	65	342	1,464	1,806
Impairment losses recognised	—	—	—	—	—	—	—	—

(b) Geographical segment

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.

	Hong Kong and Macau *HK$'000*	**The PRC** *HK$'000*	**Consolidation** *HK$'000*
For the year ended 31 December 2006 (Re-presented)			
Turnover			
— Continuing operations	7,492	—	7,492
— Discontinued operations	—	1,883	1,883
	7,492	1,883	9,375
Segment results			
— Continuing operations	7,225	—	7,225
— Discontinued operations	—	2,203	2,203
	7,225	2,203	9,428
For the year ended 31 December 2007 (Re-presented)			
Turnover			
— Continuing operations	7,722	—	7,722
— Discontinued operations	—	2,917	2,917
	7,722	2,917	10,639
Segment results			
— Continuing operations	7,722	—	7,722
— Discontinued operations	—	8,084	8,084
	7,722	8,084	15,806
For the year ended 31 December 2008			
Turnover			
— Continuing operations	19,253	—	19,253
— Discontinued operations	—	20,826	20,826
	19,253	20,826	40,079
Segment results			
— Continuing operations	(83,205)	—	(83,205)
— Discontinued operations	—	(100,777)	(100,777)
	(83,205)	(100,777)	(183,982)

	Hong Kong and Macau *HK$'000*	The PRC *HK$'000*	Consolidation *HK$'000*
For the six months ended 30 June 2009			
Turnover			
— Continuing operations	28,346	—	28,346
— Discontinued operations	—	3,102	3,102
	28,346	3,102	31,448
Segment results			
— Continuing operations	(81,866)	—	(81,866)
— Discontinued operations	—	3,452	3,452
	(81,866)	3,452	(78,414)
For the six months ended 30 June 2008 (Re-presented) (Unaudited)			
Turnover			
— Continuing operations	2,000	—	2,000
— Discontinued operations	—	—	—
	2,000	—	2,000
Segment results			
— Continuing operations	2,000	—	2,000
— Discontinued operations	—	16,798	16,798
	2,000	16,798	18,798

6. TURNOVER

Continuing operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Distribution of films	164	—	—	—	—
Sub-licensing of film rights	200	—	2,000	2,000	—
Sale of financial assets at fair value through profit or loss, net *(note)*	7,128	7,722	(962)	—	—
Service fee income	—	—	18,215	—	28,346
	7,492	7,722	19,253	2,000	28,346

Discontinued operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Rental income	1,883	2,917	20,826	—	3,102

Note:

In the prior year's financial statements, the Group separately presented the proceeds from the sale of financial assets at fair value through profit or loss as "turnover"; the cost of financial assets at fair value through profit or loss as "cost of sales"; and the fair value changes of financial assets at fair value through profit or loss. For the Relevant Periods, the Group restated the gain/loss on sales of financial assets and fair value changes of financial assets at fair value through profit or loss as "turnover" on the net basis.

The Group has revised its presentation of revenue in order to reflect the nature of sales of financial assets in a more appropriate manner and to conform with market practice.

An analysis of financial assets at fair value through profit or loss is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Sales of financial assets at fair value through profit or loss	15,229	35,822	2,627	—	—
Cost of financial assets at fair value through profit or loss	(13,461)	(28,100)	(3,589)	—	—
Fair value changes of financial assets at fair value through profit or loss	5,360	—	—	—	—
	7,128	7,722	(962)	—	—

7. OTHER REVENUE AND OTHER INCOME

Continuing operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Other revenue:					
Dividend income from financial assets at fair value through profit or loss	754	78	—	—	—
Interest income on loan to a related company	—	—	—	—	1,726
Interest income on bank deposits	4,293	2,836	2,427	2,177	—
Sundry income	103	8	—	—	—
	5,150	2,922	2,427	2,177	1,726

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Other income:					
Reversal of over-provision of accruals in previous year	200	—	—	—	—
Imputed interest income on convertible note receivable	—	—	—	—	273
Imputed interest income on promissory note receivable	—	—	—	—	1,135
	200	—	—	—	1,408
	5,350	2,922	2,427	2,177	3,134

Discontinued operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Other revenue:					
Interest income on bank deposits	21	154	1,212	402	465
Sundry income	9	129	45	26	47
	30	283	1,257	428	512
Other income:					
Net exchange gain	519	—	—	—	—
Waiver of secured bank loan interest	—	106,956	—	—	—
	519	106,956	—	—	—
	549	107,239	1,257	428	512

8. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations has been arrived after charging:

Continuing operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Auditors' remuneration	600	600	600	—	—
Cost of inventories sold	89	—	—	—	—
Depreciation of property, plant and equipment	272	563	691	342	256
Impairment loss recognised in respect of trade receivables	1,050	9	—	—	—
Impairment loss recognised in respect of film right deposits	14	—	—	—	—
Impairment loss recognised in respect of deposits, prepayments and other receivables	131	—	—	—	—
Loss on disposal of property, plant and equipment	1,956	3	3	3	—
Share-based payment expenses in respect of consultancy services	—	6,370	985	985	—
Operating lease rentals in respect of rented premise	1,710	2,186	1,640	934	1,000
Staff costs including directors' emoluments					
— Salaries and other allowances	6,658	6,787	6,808	3,497	3,391
— Contribution to retirement benefits scheme	117	114	143	69	72
— Share-based payment expenses	—	25,912	2,623	2,623	—

Discontinued operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Auditors' remuneration	—	—	—	—	—
Depreciation of property, plant and equipment	380	595	4,342	1,464	1,293
Operating lease rentals in respect of rented premise	—	129	174	—	—
Staff costs including directors' emoluments					
— Salaries and other allowances	600	1,562	4,615	2,309	942
— Contribution to retirement benefits scheme	—	—	—	—	—
— Share-based payment expenses	—	—	—	—	—

9. FINANCE COSTS

Continuing operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Loan payable	100	—	—	—	—
Imputed interest expense on convertible notes payable	—	—	3,350	—	5,221
	100	—	3,350	—	5,221

Discontinued operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Interests expenses on borrowings wholly repayable within five years:					
— secured bank loans	9,515	19,494	25,289	12,821	5,678

10. DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments payable to the directors of the Company for the year ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 were HK$360,000, HK$360,000, HK$360,000, HK$180,000 and HK$180,000 respectively.

The remuneration of every director during the Relevant Periods are shown as below:

	Fee	Salaries and bonuses	Contributions to retirement benefits scheme	Share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2006					
Mr. Heung Wah Keung	—	—	—	—	—
Ms. Chen Ming Yin, Tiffany	—	—	—	—	—
Mr. Tang Chak Lam, Gilbert	120	—	—	—	120
Mr. Ho Wai Chi, Paul	120	—	—	—	120
Mr. Lien Wai Hung	120	—	—	—	120
	360	—	—	—	360

	Fee	Salaries and bonuses	Contributions to retirement benefits scheme	Share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2007					
Mr. Heung Wah Keung	—	—	—	—	—
Ms. Chen Ming Yin, Tiffany	—	—	—	—	—
Mr. Tang Chak Lam, Gilbert	120	—	—	—	120
Mr. Ho Wai Chi, Paul	120	—	—	—	120
Mr. Lien Wai Hung	120	—	—	—	120
	360	—	—	—	360

	Fee	Salaries and bonuses	Contributions to retirement benefits scheme	Share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2008					
Mr. Heung Wah Keung	—	—	—	—	—
Ms. Chen Ming Yin, Tiffany	—	—	—	—	—
Mr. Tang Chak Lam, Gilbert	120	—	—	—	120
Mr. Ho Wai Chi, Paul	120	—	—	—	120
Mr. Lien Wai Hung	120	—	—	—	120
	360	—	—	—	360

	Fee	Salaries and bonuses	Contributions to retirement benefits scheme	Share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2009					
Mr. Heung Wah Keung	—	—	—	—	—
Ms. Chen Ming Yin, Tiffany	—	—	—	—	—
Mr. Tang Chak Lam, Gilbert	60	—	—	—	60
Mr. Ho Wai Chi, Paul	60	—	—	—	60
Mr. Lien Wai Hung	60	—	—	—	60
	180	—	—	—	180

	Fee	Salaries and bonuses	Contributions to retirement benefits scheme	Share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2008 (Unaudited)					
Mr. Heung Wah Keung	—	—	—	—	—
Ms. Chen Ming Yin, Tiffany	—	—	—	—	—
Mr. Tang Chak Lam, Gilbert	60	—	—	—	60
Mr. Ho Wai Chi, Paul	60	—	—	—	60
Mr. Lien Wai Hung	60	—	—	—	60
	180	—	—	—	180

Five Highest Paid Individuals

The emoluments paid to the five highest paid individuals of the Group during the Relevant Periods were as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and other allowances	4,545	4,773	4,699	2,377	2,222
Share-based payment expenses	—	7,289	376	376	—
Contributions to retirement benefits scheme	48	48	48	24	24
	4,593	12,110	5,123	2,777	2,246

None of the five highest paid individuals of the Group was the director of the Company.

Their emoluments were within the following bands:

	Number of employees				
	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
				(Unaudited)	
HK$Nil — HK$1,000,000	3	—	3	4	4
HK$1,000,001 — HK$1,500,000	1	—	1	1	1
HK$1,500,001 — HK$2,000,000	1	1	—	—	—
HK$2,000,001 — HK$2,500,000	—	3	1	—	—
HK$2,500,001 — HK$3,000,000	—	—	—	—	—
HK$3,000,001 — HK$3,500,000	—	—	—	—	—
HK$3,500,001 — HK$4,000,000	—	1	—	—	—

11. TAXATION

Continuing operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Current tax credit	—	—	13,854	13,854	—
Deferred tax credit *(note 37)*	—	—	—	—	14,341
	—	—	13,854	13,854	14,341

Discontinued operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Deferred tax credit/ (expense) *(note 37)*	(195)	(13,156)	22,214	(5,039)	(601)

No provision for Hong Kong Profits Tax or the PRC Corporate Income Tax has been made for the Relevant Periods as the Group either has no estimated assessable profits or its estimated assessable profits are wholly absorbed by the estimated tax losses brought forward. Taxation arising on other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Hong Kong Profits Tax is calculated at 17.5% for the year ended 31 December 2006 and 2007 and six months ended 30 June 2008 and at 16.5% for the year ended 31 December 2008 and the six months ended 2009 on estimated assessable profits of certain subsidiaries in Hong Kong for Relevant Periods.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. Accordingly, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of certain subsidiaries in Hong Kong for the year ended 31 December 2008 and six months ended 30 June 2009.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the PRC, which will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. Deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to respective years when the asset is realised or the liability is settled.

An objection was lodged by Ocean Shores Licensing Limited ("OSLL"), a wholly-owned subsidiary of the Company, against the estimated assessments for the years of assessment from 1994/1995 to 2000/2001 in relation to the offshore claims of sub-licensing income. Provision for taxation of HK$22,238,000 had been made in the Company's 2007 audited consolidated financial statements. In February 2008, OSLL reached a compromise settlement on the estimated assessments with the Inland Revenue Department for settling the estimated tax liabilities in an aggregate amount of HK$12,021,000, which included a surcharge of HK$3,637,000. Therefore, a tax credit of HK$13,854,000 was recognised for the year ended 31 December 2008.

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

Continuing operations

	For the year ended 31 December						For the six months ended 30 June			
	2006		2007		2008		2008		2009	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
	(Re-presented)		(Re-presented)				(Re-presented) (Unaudited)			
Loss before taxation	(9,173)		(44,749)		(110,590)		(12,264)		(179,247)	
Tax at income tax rate of 16.5% (31 December 2007, 2006 and 30 June 2008: 17.5%)	(1,605)	17.5	(7,831)	17.5	(18,246)	16.5	(2,146)	17.5	(29,574)	16.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	—	9	(0.1)	(819)	0.7	—	—	—	—
Tax effect of income that is not taxable in determining taxable profit	(10,624)	115.8	(187)	0.4	(2,229)	2.0	(381)	3.1	(8,019)	4.5
Utilisation of tax losses previously not recognised	—	—	—	—	—	—	—	—	(612)	0.3
Tax effect of expenses that are not deductible in determining taxable profit	1,766	(19.2)	5,996	(13.3)	17,684	(16.0)	60	(0.5)	37,278	(20.8)
Tax losses not yet recognised	10,463	(114.1)	2,013	(4.5)	3,610	(3.2)	2,467	(20.1)	927	(0.5)
Tax refund	—	—	—	—	(13,854)	12.5	(13,854)	113.0	—	—
Deferred tax credit	—	—	—	—	—	—	—	—	(14,341)	8.0
Taxation charge/(credit) for the year/period	—	—	—	—	(13,854)	12.5	(13,854)	113.0	(14,341)	8.0

Discontinued operations

	For the year ended 31 December						For the six months ended 30 June			
	2006		2007		2008		2008		2009	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	(Re-presented)		(Re-presented)				(Re-presented) (Unaudited)			
(Loss)/profit before taxation	(11,926)		83,599		(149,986)		(4,997)		(4,976)	
Tax at income tax rate of 16.5% (31 December 2007, 2006 and 30 June 2008: 17.5%)	(2,087)	17.5	14,630	17.5	(24,747)	16.5	(874)	17.5	(821)	16.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	(872)	7.3	11,935	14.3	(9,294)	6.2	(368)	7.4	(413)	8.3
Tax effect of income that is not taxable in determining taxable profit	(4)	—	(9,622)	(11.5)	(200)	0.1	(92)	1.8	(78)	1.6
Utilisation of tax losses previously not recognised	—	—	(17,700)	(21.2)	—	—	—	—	—	—
Tax effect of expenses that are not deductible in determining taxable profit	67	(0.5)	624	0.7	7,379	(4.9)	366	(7.3)	213	(4.3)
Tax losses not yet recognised	2,896	(24.3)	133	0.2	26,862	(17.9)	968	(19.4)	1,099	(22.1)
Tax refund	—	—	—	—	—	—	—	—	—	—
Deferred tax charge/(credit)	195	(1.6)	13,156	15.7	(22,214)	14.8	5,039	(100.8)	601	12.1
Taxation charge/(credit) for the year/period	195	(1.6)	13,156	15.7	(22,214)	14.8	5,039	(100.8)	601	12.1

12. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 26 November 2008, Riche (BVI) Limited ("Riche"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with Mega Shell Services Limited ("Mega Shell"), a wholly-owned subsidiary of Golife Concepts Holdings Limited ("Golife"), relating to the sale of the entire issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and World East Investments Limited ("World East"), both of them are wholly-owned subsidiaries of the Company.

On 8 April 2009, the Company completed the disposal of 100% interests in Shinhan-Golden and World East.

During the six months ended 30 June 2009, the above subsidiaries were engaged in investment holding and had contributed turnover of HK$3,102,000 and loss of HK$5,576,000 to the Group.

Assets of disposal group classified as held for sale

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	—	—	21,421	—
Investment properties	—	—	906,960	—
Inventories	—	—	28,969	—
Trade receivables	—	—	212	—
Deposits, prepayments and other receivables	—	—	9,698	—
Cash and cash equivalents	—	—	82,152	—
	—	—	1,049,412	—

Liabilities of disposal group classified as held for sale

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	—	—	13,961	—
Receipts in advance	—	—	39,470	—
Secured bank loan	—	—	319,418	—
Deferred taxation	—	—	54,763	—
	—	—	427,612	—

The fair value of the Group's investment properties at 31 December 2008 have been arrived at on the basis of the valuation carried out by Grant Sherman Appraisal Limited, an independent firm of professional valuer not connected to the Group, a member of the Hong Kong Institute of Valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

As 31 December 2008, certain of investment properties with carrying amount of approximately HK$853,835,000 have been pledged to secure banking facilities granted to the Group.

Analysis of the results of discontinued operations

		For the year ended 31 December			For the six months ended 30 June	
		2006	**2007**	**2008**	**2008**	**2009**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Notes	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Turnover	*6*	1,883	2,917	20,826	—	3,102
Cost of sales		(270)	(858)	(7,176)	—	(1,652)
Gross profit		1,613	2,059	13,650	—	1,450
Other revenue and other income	*7*	549	107,239	1,257	428	512
Administrative expenses		(5,163)	(12,230)	(25,177)	(9,402)	(3,261)
Impairment loss recognised in respect of goodwill	*22*	—	(37,828)	(40,382)	—	—
Change in fair value of investment properties	*16*	590	43,853	(74,045)	16,798	2,002
Profit/(loss) from operations		(2,411)	103,093	(124,697)	7,824	703
Finance costs	*9*	(9,515)	(19,494)	(25,289)	(12,821)	(5,678)
(Loss)/profit before taxation		(11,926)	83,599	(149,986)	(4,997)	(4,975)
Taxation	*11*	(195)	(13,156)	22,214	(5,039)	(601)
(Loss)/profit for the year/period		(12,121)	70,443	(127,772)	(10,036)	(5,576)

Analysis of the cash flows from discontinued operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
Operating cash flows	30,103	218,036	160,660	161,347	2,722
Investing cash flows	(20,512)	(121,857)	(63,073)	(47,795)	(11,139)
Financing cash flows	1,428	51,787	(53,891)	(12,150)	(22,301)
	11,019	147,966	43,696	101,402	(30,718)

13. (LOSS)/EARNINGS PER SHARE

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

Continuing operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
(Loss)/profit for the year/ period attributable to equity holders of the Company	(9,173)	(44,749)	(96,736)	1,590	(164,906)
Number of ordinary shares	*'000*	*'000*	*'000*	*'000*	*'000*
Weighted average number of ordinary shares in issue during the year/period	64,843	102,941	195,187	195,186	72,720

Discontinued operations

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)	(Re-presented)		(Re-presented) (Unaudited)	
(Loss)/profit for the year/ period attributable to equity holders of the company	(12,121)	70,443	(127,772)	(10,036)	(5,576)
Number of ordinary shares	*'000*	*'000*	*'000*	*'000*	*'000*
Weighted average number of ordinary shares in issue during the year/period	64,843	102,941	195,187	195,186	72,720

The weighted average number of ordinary shares in issue for the purposes of basic and diluted (loss)/earnings per share has been adjusted to take into the effect of the share consolidations.

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share. The Company's outstanding share options and convertible notes were not included in the calculation of diluted (loss)/earnings per share because the effects of the conversion of the Company's outstanding share options and convertible notes were anti-dilutive.

14. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Office equipment	Motor vehicles	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2006	2,175	4,071	1,633	2,128	10,007
Additions	1,115	41	—	—	1,156
Additions through acquisition of subsidiaries *(note 39)*	—	1,926	—	—	1,926
Disposals	(909)	(5,297)	—	(1,030)	(7,236)
Exchange alignments	—	20	—	—	20
At 31 December 2006 and 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 and 1 January 2008	2,381	5,114	1,257	1,098	9,850
Additions	1,074	20,510	813	—	22,397
Disposals	—	(2)	—	(5)	(7)
Exchange alignments	—	290	—	—	290
Transfer to assets of disposal group classified as held for sale *(note 12)*	(709)	(25,752)	—	—	(26,461)
At 31 December 2008, 1 January 2009 and 30 June 2009	2,746	160	2,070	1,093	6,069

The Group

	Leasehold improvements	Office equipment	Motor vehicles	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation					
At 1 January 2006	1,957	2,709	787	1,136	6,589
Charged for the year	223	155	169	105	652
Acquisition of subsidiaries *(note 39)*	—	1,446	—	—	1,446
Elimination on disposals	(873)	(3,831)	—	(576)	(5,280)
Exchange alignments	—	(2)	—	—	(2)
At 31 December 2006 and 1 January 2007	1,307	477	956	665	3,405
Charged for the year	358	608	127	65	1,158
Elimination on disposals	—	(423)	(292)	—	(715)
Exchange alignments	—	2	—	—	2
At 31 December 2007 and 1 January 2008	1,665	664	791	730	3,850
Charged for the year	439	4,283	256	55	5,033
Elimination on disposals	—	(1)	—	(3)	(4)
Exchange alignments	—	75	—	—	75
Transfer to assets of disposal group classified as held for sale *(note 12)*	(79)	(4,961)	—	—	(5,040)
At 31 December 2008 and 1 January 2009	2,025	60	1,047	782	3,914
Charged for the period	120	10	102	24	256
At 30 June 2009	2,145	70	1,149	806	4,170
Net book value					
At 30 June 2009	601	90	921	287	1,899
At 31 December 2008	721	100	1,023	311	2,155
At 31 December 2007	716	4,450	466	368	6,000
At 31 December 2006	1,074	284	677	433	2,468

16. INVESTMENT PROPERTIES

	The Group			
				At 30
	At 31 December			June
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year/period	—	678,000	887,450	—
Acquisition of subsidiaries *(note 39)*	641,982	—	—	—
Additions	15,852	101,347	36,495	—
Transfer from inventories	—	15,613	5,707	—
Fair value change recognised in the consolidated income statement	590	43,853	(74,045)	—
Transfer to assets of disposal group classified as held for sale *(note 12)*	—	—	(906,960)	—
Exchange alignment	19,576	48,637	51,353	—
At end of the year/period	678,000	887,450	—	—

The fair value of the Group's investment properties at 31 December 2006 and 2007 have been arrived at on the basis of the valuations carried out on that date by DTZ Debenham Tie Leung Limited, an independent firms of professional valuers not connected with the Group, a member of the Hong Kong Institute of Valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair value of investment properties shown above comprise:

	The Group			
				At 30
	At 31 December			June
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Outside Hong Kong, held on:				
Long term leases	678,000	887,450	—	—

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.

At 31 December 2008, the investment properties of the Group were located in the PRC and re-presented as assets of disposal group classified as held for sale. Certain of investment properties with carrying amount of approximately HK$678,000,000 and HK$852,081,000 at 31 December 2006 and 2007 respectively have been pledged to secure banking facilities granted to the Group.

17. INTANGIBLE ASSETS

	The Group
	HK$'000
Cost	
At 1 January, 31 December 2006 and 2007 and 1 January 2008	—
Acquisition of a subsidiary *(note 39)*	456,857
At 31 December 2008, 1 January 2009 and 30 June 2009	456,857
Accumulated impairment	
At 1 January, 31 December 2006, 2007 and 2008 and 1 January 2009	—
Impairment loss recognised	(117,320)
At 30 June 2009	(117,320)
Carrying amount	
At 30 June 2009	339,537
At 31 December 2008	456,857
At 31 December 2007 and 2006	—

The intangible assets represent the carrying amounts of services agreements held by Rich Daily Group Limited. The intangible assets have indefinite useful lives and no amortisation has been made.

The directors of the Company reassessed the recoverable amounts of the services agreements with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuers not connected with the Group, and determined that impairment loss recognised in respect of intangible assets for the six months ended 30 June 2009 was approximately HK$117,320,000 (year ended 31 December 2006, 2007 and 2008: HK$Nil)

The recoverable amounts of the services agreements were assessed by reference to value-in-use calculation. A discount rate of 17.68% and 17.57% per annum for the year ended 31 December 2008 and six months ended 30 June 2009 respectively applied in the value-in-use model which uses cash flow projections based on financial forecasts approved by the directors of the Company covering a ten-year period. There are a number of assumptions and estimates involved for the preparation of the cash flow projections for the period covered by the forecast. Key assumptions include gross margin and growth rate which are determined by the management of the Group based on its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the industry.

18. INTERESTS IN AN ASSOCIATE

	The Group			
	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost of investment in an associate	—	—	—	1,283
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost	—	—	—	17,122
Share of post-acquisition profits and reserves of an associate *(note i)*	—	—	—	12,032
Loss on deemed disposal of an associate	—	—	—	(4,931)
	—	—	—	25,506
Market value of investment in an associate — Hong Kong listed shares	—	—	—	1,153

Notes:

(i) Included in the amount of share of results and reserves were (i) share of loss of an associate of approximately HK$2,566,000, (ii) share of convertible note reserve of an associate of approximately HK$14,493,000 and (iii) share of exchange reserve of an associate of approximately HK$105,000. The amount of (i) is presented in the consolidated income statement and the amounts of (ii) and (iii) are presented in the consolidated statement of comprehensive income and the consolidated statement of change in equity.

(ii) On 14 May 2009, Golife had issued 11,560,000 new shares to independent third parties which resulted to an increase the issued share capital of Golife from 57,818,919 shares to 69,378,919 shares and the Group's interest in Golife was diluted from 20.36% to 16.96%.

The summarised financial information in respect of the Group's associate for the respective year/period are set out below:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Turnover	18,885	60,598	71,599	11,823
Profit/(loss) for the year/period	1,148	(92,240)	(73,641)	2,396
Loss attributable to the Group for the year/period	—	—	—	(2,566)
Total assets	102,385	45,717	26,244	1,086,760
Total liabilities	(70,837)	(33,964)	(68,504)	(936,373)
Net assets/(liabilities)	31,548	11,753	(42,260)	150,387
Net assets attributable to the Group	—	—	—	25,506

Particulars of the Group's interests in an associate at 30 June 2009 is as follows:

Name of associate	**Place of incorporation**	**Attributable equity interest held by the Group**	**Particular of issued share capital**	**Principal activity**
Golife Concepts Holdings Limited	Cayman Islands	16.96%	69,378,919 ordinary shares of HK$0.01 each	Investment holding

19. PROMISSORY NOTE RECEIVABLE

	The Group			
	At 31 December			**At 30 June**
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year/period	—	—	—	—
Initial recognition of promissory note receivable	—	—	—	71,299
Imputed interest income on promissory note receivable	—	—	—	1,135
At end of the year/period	—	—	—	72,434

During the six months ended 30 June 2009, the promissory note receivable, being part of the consideration arising from the disposal of the entire issued share capital of Shinhan-Golden and World East to Golife is unsecured, interest-bearing at 7% per annum with a maturity date of 7 April 2014. The carrying amount of the promissory note receivable approximates to its fair value.

20. CONVERTIBLE NOTE RECEIVABLE

	The Group			
	At 31 December			**At 30 June**
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed convertible note receivable				
— Loan portion	—	—	—	3,061
— Conversion options embedded in convertible note receivable	—	—	—	59,714
	—	—	—	62,775

During the six months ended 30 June 2009, the convertible note receivable, being part of the consideration arising from the disposal of the entire issued share capital of Shinhan-Golden and World East representing a 10-year zero coupon convertible note with a principal amount of HK$100,000,000 from Golife, an associate of the Group. The convertible note can be converted in whole or in part into new ordinary shares of Golife at any time from the issue date 8 April 2009 to the maturity date 7 April 2019 at a conversion price of HK$0.05 per share.

The convertible note receivable comprised two components — (i) loan portion and (ii) conversion options embedded in convertible note receivables. Since the economic characteristics and risks of the conversion options embedded in convertible note receivables are not closely related to the host contract, it is separated from the host contract as conversion options embedded in convertible note receivables on initial recognition.

On application of HKAS 39, the fair value of the convertible note — loan portion was determined based on an effective interest rate of 32.02% per annum on initial recognition and the fair value of the conversion options embedded in convertible note receivables was determined by using the Binomial Option Pricing Model, at initial recognition and at each balance sheet date.

During the six months ended 30 June 2009, the Group recognised a decrease in fair value changes of approximately HK$23,144,000 in the consolidated income statement.

21. LOAN TO A RELATED COMPANY

	The Group and the Company			
	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
China Star Entertainment Limited ("China Star")	—	—	—	200,000

The loan was made to China Star pursuant to the loan agreement dated 11 March 2009 entered into between the Company and China Star.

The loan is unsecured, interest bearing at prime rate as quoted by The Hong Kong and Shanghai Banking Corporation per annum and maturing on 28 April 2012.

22. GOODWILL

	The Group *HK$'000*
Cost	
At 1 January 2006	40,128
Acquisition of subsidiaries *(note i)*	77,284
At 31 December 2006, 1 January 2007, 31 December 2007 and 1 January 2008	117,412
Acquisition of subsidiaries *(note ii and iii)*	102,891
At 31 December 2008, 1 January 2009 and 30 June 2009	220,303
Accumulated impairment	
At 1 January 2006, 31 December 2006 and 1 January 2007	40,128
Impairment loss recognised *(note v)*	37,828
At 31 December 2007 and 1 January 2008	77,956
Impairment loss recognised *(note v)*	142,347
At 31 December 2008, 1 January 2009 and 30 June 2009	220,303
Carrying amount	
At 30 June 2009	—
At 31 December 2008	—
At 31 December 2007	39,456
At 31 December 2006	77,284

Notes:

(i) On 21 June 2006, the Group acquired 100% of the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") together with 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 positive goodwill of approximately HK$77,284,000 arose from the acquisition of Shinhan-Golden.

(ii) On 29 May 2008, the Group further acquired 3.33% of the issued share capital of 北京莎瑪房地產開發有限公司 ("Beijing Suoma"). The total consideration of the acquisition at fair value was approximately HK$4,824,000. As a result, a positive goodwill of approximately HK$926,000 arose from the acquisition of Beijing Suoma.

(iii) On 29 August 2008, the Group acquired 100% of the issued share capital of Rich Daily Group Limited ("Rich Daily"). The total consideration of the acquisition at fair value was approximately HK$504,000,000. As a result, a positive goodwill of approximately HK$101,965,000 was arisen from the acquisition of Rich Daily.

(iv) Goodwill arising from the acquisitions of Shinhan-Golden and Beijing Suoma and Rich Daily has been allocated to the operating segments of property investment and provision of management services respectively, which are the cash-generating units ("CGUs").

(v) The directors of the Group reassessed the recoverable amount of the CGU with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuers not connected with the Group, and determined that the impairment loss in respect of goodwill of approximately HK$Nil, HK$37,828,000 and HK$142,347,000 for the year ended 31 December 2006, 2007 and 2008 respectively.

(vi) The recoverable amounts of the CGUs are determined from value-in-use calculations. One of the key assumptions for the value-in-use calculations is the discount rates. Discount rates of 16.14%, 15.43% and 16.03% per annum at 31 December 2006, 2007 and 2008 respectively which use cash flow projections based on the financial forecasts covering a ten-year budgeted period approved by the directors of the Company. The valuers estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGUs.

23. INVENTORIES

	The Group			
	At 31 December			**At 30 June**
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Properties held for sale	45,154	32,783	—	—

All inventories were carried at cost at 31 December 2006 and 2007.

Properties held for sale solely comprised of certain units of apartments held by Beijing Suoma, a former subsidiary of the Company, of which sale and purchase agreements were entered into and full considerations have been received by Beijing Suoma in respect of these units of apartments (note 33).

24. TRADE RECEIVABLES

	The Group			
	At 31 December			**At 30 June**
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	—	215	4,443	4,072
31-60 days	—	429	—	—
61-90 days	—	107	—	—
Over 90 days	1,986	503	2,396	396
	1,986	1,254	6,839	4,468
Less: Impairment loss recognised in respect of trade receivables	(1,050)	(9)	—	—
	936	1,245	6,839	4,468

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

	The Group			
	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	—	213	4,443	4,072
31-60 days	—	424	—	—
61-90 days	—	106	—	—
Over 90 days	936	502	2,396	396
	936	1,245	6,839	4,468

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

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

	The Group			
	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	—	—	—	—
31-60 days	—	—	—	—
61-90 days	—	—	—	—
Over 90 days	936	502	2,396	396
	936	502	2,396	396

At 31 December 2006, 2007 and 2008 and 30 June 2009, trade receivables of approximately HK$936,000, HK$502,000, HK$2,608,000 and HK$396,000 respectively 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 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 are as follows:

	The Group			
	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	—	2	—	—
31-60 days	—	5	—	—
61-90 days	—	1	—	—
Over 90 days	1,050	1	—	—
	1,050	9	—	—

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

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group				The Company			
	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 June 2009	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 June 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	9,356	2,529	827	827	1,801	1,350	—	—
Prepayments	1,842	25,207	15	14	—	550	—	—
Other receivables	8,187	4,094	785	10,641	—	350	—	1,726
	19,385	31,830	1,627	11,482	1,801	2,250	—	1,726
Impairment loss recognised in respect of prepayments	(131)	—	—	—	—	—	—	—
	19,254	31,830	1,627	11,482	1,801	2,250	—	1,726

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

26. LOAN TO AN ASSOCIATE

	The Group and the Company			
	At 31 December			At 30 June
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
上海昇平文化發展有限公司 ("Shanghai Shengping")	—	—	—	255,536

The loan was made to Shanghai Shengping, a subsidiary of Golife, pursuant to the sale and purchase agreement dated 26 November 2008 relating to the disposal of the Group's interests in the entire issued share capital of Shinhan-Golden and World East together with the loans due by each of them to the Group.

The loan to Shanghai Shengping is secured by a corporate guarantee given by Golife for three years ending 31 December 2011. Golife has agreed to issue the settlement convertible bond on the day falling on the fifth anniversary of the loan if any part of the loan has not been settled.

The Company expects to receive the amount of loan within twelve months from the balance sheet date and the balance is classified as current asset.

The carrying amount of the loan to an associate approximates to its fair values.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities:				
Listed in Hong Kong, at market value	28,100	—	—	9,000

The net gain/(loss) from fair value changes of financial assets at fair value through profit or loss for the respective year/period are as follows:

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unrealised	5,360	—	—	7,750
Realised	1,768	7,722	(962)	—
Total net gain/(loss) from fair value changes of financial assets at fair value through profit or loss	7,128	7,722	(962)	7,750

28. TAX PREPAYMENTS

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax reserve certificates	3,055	3,055	—	—
Tax paid in advance	4,665	9,065	—	—
	7,720	12,120	—	—

Tax reserve certificates borne interest rates ranged from 2.60% to 2.85% and 2.33% to 2.68% per annum for the year ended 31 December 2006 and 2007 respectively.

29. CASH AND CASH EQUIVALENTS

(a) Statement of financial position

	The Group				The Company			
	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 June 2009	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 June 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deposits with banks and other financial institutions	52,097	463,391	—	—	52,097	463,391	—	—
Cash at bank and in hand	11,043	68,005	7,218	42,169	3,765	26,147	278	6,140
Cash and cash equivalents	63,140	531,396	7,218	42,169	55,862	489,538	278	6,140

The effective interest rates of deposits with banks and other financial institutions were 3.0% to 4.8%, 2.2% to 4.3% and 0.5% to 3.5% per annum for the years ended 31 December 2006, 2007 and 2008 respectively.

(b) Cash and cash equivalents at the end of the financial years as shown in consolidated statement of cash flow can be reconciled to the related items in the consolidated statement of financial position as follows:

	The Group				The Company			
	At 31 December 2006	**At 31 December 2007**	**At 31 December 2008**	**At 30 June 2009**	**At 31 December 2006**	**At 31 December 2007**	**At 31 December 2008**	**At 30 June 2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents								
Included in cash and cash equivalents as per consolidated statement of financial position	63,140	531,396	7,218	42,169	55,862	489,538	278	6,140
Included in assets of disposal group classified as held for sale	—	—	82,152	—	—	—	—	—
	63,140	531,396	89,370	42,169	55,862	489,538	278	6,140

(c) The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	The Group				The Company			
	At 31 December 2006	**At 31 December 2007**	**At 31 December 2008**	**At 30 June 2009**	**At 31 December 2006**	**At 31 December 2007**	**At 31 December 2008**	**At 30 June 2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi	—	39,119	82,136	—	—	—	—	—
United States of America Dollars	36	36	36	36	—	—	—	—
Hong Kong Dollars	63,104	492,241	7,198	42,133	55,862	489,538	278	6,140
	63,140	531,396	89,370	42,169	55,862	489,538	278	6,140

The conversion of Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

30. SHARE CAPITAL

The Group and the Company

	Number of shares				Nominal value			
	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 June 2009	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 June 2009
	'000	*'000*	*'000*	*'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Ordinary share of HK$0.01 each (2008: HK$0.01 each, 2007: HK$0.1 each, and 2006: HK$0.01 each)								
Authorised:								
At the beginning of the year/ period	20,000,000	20,000,000	6,000,000	2,000,000	200,000	200,000	600,000	20,000
Share consolidation	—	(18,000,000)	—	—	—	—	—	—
Increase in authorised share capital	—	4,000,000	1,400,000	—	—	400,000	14,000	—
Capital reorganisation								
— share consolidation	—	—	(5,400,000)	(1,800,000)	—	—	—	—
— capital reduction	—	—	—	—	—	—	(594,000)	(18,000)
At the end of the year/period	20,000,000	6,000,000	2,000,000	200,000	200,000	600,000	20,000	2,000
Issued and fully paid:								
At the beginning of the year/ period	5,154,018	6,484,340	1,951,860	195,187	51,540	64,843	195,186	1,952
Issue of new shares	1,330,322	2,438,200	—	906,093	13,303	127,103	—	9,061
Share consolidation	—	(7,294,680)	—	—	—	—	—	—
Exercise of share options	—	324,000	10	—	—	3,240	1	—
Capital reorganisation								
— share consolidation	—	—	(1,756,683)	(991,152)	—	—	—	—
— capital reduction	—	—	—	—	—	—	(193,235)	(9,912)
At the end of the year/period	6,484,340	1,951,860	195,187	110,128	64,843	195,186	1,952	1,101

Notes:

For the year ended 31 December 2006

Issuance of new shares: 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 100% of the issued share capital of Shinhan-Golden and the debts owed by Shinhan-Golden to Northbay. An amount of approximately HK$252,761,000 has been recognised as share premium during the year ended 31 December 2006.

For the year ended 31 December 2007

(a) Share consolidation: 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.

(b) Increase in authorised share capital: 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.

(c) Issuance of new share:

(i) On 30 March 2007, 1,296,860,000 new shares of HK$0.01 each were allotted and issued to Classical Statue 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 to financing possible diversified investment of the Group and general working capital of the Group.

(ii) On 31 May 2007, 155,620,000 new share 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.

(iii) 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.

(iv) On 7 August 2007, 173,000,000 new shares 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.

(v) 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.

(d) Exercise of share options: On 18 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.

For the year ended 31 December 2008

(a) Exercise of share options: On 8 April 2008, 10,009 ordinary shares of HK$0.10 each were issued upon exercise of share options.

(b) Capital reorganisation: On 30 April 2008, the shareholders approved the following changes to the capital of the Company ("Capital Reorganisation I").

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

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

(iii) 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 utilized by the Board in accordance with 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 Capital Reorganisation I took effect on 2 May 2008.

(c) Increase in authorised share capital: On 19 December 2008, the shareholders approved the increase in the authorised share capital of the Company from HK$6,000,000, divided into 600,000,000 shares of HK$0.01 each, to HK$20,000,000, divided into 2,000,000,000 shares of HK$0.01 each, by the creation of an additional 1,400,000,000 new shares of HK$0.01 each.

For the six months ended 30 June 2009

(a) Issuance of new share:

(i) On 9 January 2009, 39,000,000 new ordinary shares of HK$0.01 each were allotted and issued at price of HK$0.102 per share by way of top-up placing. The net proceeds of approximately HK$3,820,000 were intended to be used for reducing the Group's bank borrowings.

(ii) On 11 February 2009, 200,000,000 new ordinary shares of HK$0.01 each were allotted and issued at a price of HK$0.102 per share by way of placing of new shares under specific mandate. The net proceeds of approximately HK$19,870,000 were intended to be used for reducing the Group's bank borrowings.

(iii) On 2 March 2009, 300,000,000 new ordinary shares of HK$0.01 each were allotted and issued at a price of HK$0.091 per share by way of placing of new shares under specific mandate. The net proceeds of approximately HK$26,850,000 were intended to be used for reducing the Group's bank borrowings.

(iv) On 30 March 2009, 367,093,498 new ordinary shares of HK$0.01 each were allotted and issued at a price of HK$0.10 per share by way of open offer share to the qualifying shareholders on the basis of one new share for every two existing shares held on 9 March 2009. The net proceeds of approximately HK$34,339,000 were intended to be used for financing possible diversified investments of the Group and general working capital of the Group.

(b) Capital reorganisation: On 22 April 2009, the shareholders approved the following changes to the capital of the Company (the "Capital Reorganisation II"):

(i) share consolidation: that every ten issued and existing ordinary shares of HK$0.01 each in the issued share capital of the Company be consolidated into one issued ordinary share of HK$0.10 (the "Consolidated Shares II") in the share capital of the Company; and

(ii) capital reduction — that (a) the total number of the Consolidated Shares II in the issued share capital of the Company following the share consolidation be rounded down to a whole a number by cancelling the fractional share arising from the share consolidation; (b) the nominal value of each of the issued Consolidated Shares of HK$0.10 be reduced to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.09 on each issued Consolidated Share II; and (c) the amount of credit arising from capital reduction be credited to the contributed surplus account of the Company.

The Capital Reorganisation II took effect on 23 April 2009.

31. RESERVES

The Company

	Share Premium	Contributed surplus	Share-based payment reserve	Convertible notes reserve	Accumulated losses	Total
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*	*HK$000*
The Company						
At 1 January 2006	127,865	163,456	—	—	(243,842)	47,479
Issue 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
Issue of new shares	416,604	—	—	—	—	416,604
Share-based payment expenses	—	—	32,282	—	—	32,282
Exercise of share option	15,828	—	(3,840)	—	—	11,988
Net loss for the year	—	—	—	—	(223,636)	(223,636)
At 31 December 2007 and 1 January 2008	813,058	163,456	28,442	—	(742,010)	262,946
Capital reorganisaiton *(note 30)*						
— capital reduction	—	193,235	—	—	—	193,235
— share premium cancellation	(813,058)	813,058	—	—	—	—
— set-off accumulated losses against contributed surplus	—	(518,374)	—	—	518,374	—
Share-based payment expenses	—	—	3,608	—	—	3,608
Issuance of convertible notes-equity component	—	—	—	41,547	—	41,547
Deferred tax recognised	—	—	—	(6,855)	—	(6,855)
Net loss for the year	—	—	—	—	(279,498)	(279,498)
At 31 December 2008 and 1 January 2009	—	651,375	32,050	34,692	(503,134)	214,983
Issue of new shares	78,066	—	—	—	—	78,066
Capital reorganisation *(note 30)*						
— set-off accumulated losses against contributed surplus	—	9,912	—	—	—	9,912
Net profit for the period	—	—	—	—	323,956	323,956
At 30 June 2009	78,066	661,287	32,050	34,692	(179,178)	626,917

Note:

The contributed surplus account of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company 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 the share capital, share premium account and to accumulated losses account pursuant to a special resolution passed at the special general meeting held on 22 August 2003, 30 April 2008 and 22 April 2009.

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 accounts.

32. ACCRUALS AND OTHER PAYABLES

	The Group				The Company			
	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 June 2009	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 June 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	2,965	5,646	6,571	4,271	233	943	1,080	7,746
Other payables	11,203	6,769	26,385	3,675	—	—	—	—
Tax payables	6,040	6,830	—	—	—	—	—	—
	20,208	19,245	32,956	7,946	233	943	1,080	7,746

The tax payables represented provision for land appreciation tax on certain units of apartments sold by Beijing Suoma prior to 2003 (note 23). 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.

33. RECEIPTS IN ADVANCE AND DEPOSITS RECEIVED

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Receipts in advance	60,415	46,557	—	35,000
Deposits received	483	484	477	479
	60,898	47,041	477	35,479

34. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to the China Star and it's subsidiaries ("China Star Group") are unsecured, non-interest bearing and have no fixed terms of repayment.

35. SECURED BANK LOANS

	The Group			
	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans	357,427	329,018	—	—
The maturity of the above borrowings is as follows:				
Within one year	5,470	27,533	—	—
Between one and two years	25,000	64,308	—	—
Between two and five years	326,957	237,177	—	—
	357,427	329,018	—	—
Less: Amount due within one year shown under current liabilities	(5,470)	(27,533)	—	—
Amount due after one year	351,957	301,485	—	—

The secured bank loans bear interest at rates ranging from 6.16% to 6.41%, 6.16% to 7.35% and 6.53% to 8.14% at 31 December 2006, 2007 and 2008 respectively. 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 values of approximately HK$678,000,000, HK$852,081,000 and HK$853,835,000 and the Group's bank deposits with balance of approximately HK$Nil, HK$16,832,000 and HK$16,832,000 at 31 December 2006, 2007 and 2008 respectively.

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

36. CONVERTIBLE NOTES PAYABLE

On 29 August 2008, the Group issued two convertible notes to Well Will Investment Limited of HK$72,000,000 ("Convertible Bond I") and HK$72,000,000 ("Convertible Bond II"). The Convertible Bond I and Convertible Bond II bear interest at the rate of 5% per annum. The Convertible Bond I and Convertible Bond II carried the right to convert the principal amount of the Convertible Bond I and Convertible Bond II into shares of HK$0.1 each in the share capital of the Company at a conversion price of HK$1.60 per share. The effective interest rate of the liability component is 9.75% per annum.

The movement of the liability component of the convertible notes for the years/period is set out below:

	The Group and the Company			
	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year/period	—	—	—	105,803
Proceeds of issue	—	—	144,000	—
Equity component	—	—	(41,547)	—
Liability component at date of issue	—	—	102,453	105,803
Imputed interest expense for the year/ period	—	—	3,350	5,221
Interest paid	—	—	—	(3,630)
Liability component at end of the year/period	—	—	105,803	107,394

The convertible notes are unsecured and maturing on 28 August 2018.

The convertible notes are denominated in Hong Kong dollar, contains two components, liability and equity elements. The Company determined that the fair value of the liability component based on the valuations performed by Grant Sherman Appraisal Limited, an independent firm of professional valuers not connected with the Group, using an effective interest rate at 9.75% per annum. The residual amount is assigned as the equity component and included in shareholder's equity named as convertible notes reserves.

37. DEFERRED TAXATION

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

The Group

	Accelerated tax depreciation	Estimated tax losses	Revaluation of investment properties	Convertible notes	Intangible assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	254	(254)	—	—	—	—
Acquisition of subsidiaries *(note 39)*	—	—	54,488	—	—	54,488
Exchange alignment	—	—	1,634	—	—	1,634
Charge to consolidated income statement	—	—	195	—	—	195
At 31 December 2006 and 1 January 2007	254	(254)	56,317	—	—	56,317
Exchange alignment	—	—	4,029	—	—	4,029
Charge to consolidated income statement	—	—	13,156	—	—	13,156
At 31 December 2007 and 1 January 2008	254	(254)	73,502	—	—	73,502
Acquisition of a subsidiary *(note 39)*	—	—	—	—	54,823	54,823
Issuance of convertible notes	—	—	—	6,855	—	6,855
Exchange alignment	—	—	3,475	—	—	3,475
Credit to consolidated income statement	—	—	(22,214)	—	—	(22,214)
Transfer to liabilities of disposal group classified as held for sale *(note 12)*	—	—	(54,763)	—	—	(54,763)
At 31 December 2008 and 1 January 2009	254	(254)	—	6,855	54,823	61,678
Credit to consolidated income statement	—	—	—	(262)	(14,078)	(14,340)
At 30 June 2009	254	(254)	—	6,593	40,745	47,338

The Company

	Convertible notes
	HK$'000
At 1 January 2006, 31 December 2006, 1 January 2007, 31 December 2007 and 1 January 2008	—
Issuance of convertible notes payable	6,855
At 31 December 2008 and 1 January 2009	6,855
Credit to income statement	(262)
At 30 June 2009	6,593

The Group

At 31 December 2006, 2007 and 2008 and 30 June 2009, the Group had unused estimated tax losses of approximately HK$80,960,000, HK$21,112,000, HK$205,791,000 and HK$214,361,000 respectively available for offsetting against future taxable profits. A deferred tax asset of approximately HK$254,000, HK$254,000, HK$254,000 and HK$254,000 at 31 December 2006, 2007 and 2008 and 30 June 2009 respectively have been recognised. No deferred tax asset has been recognised in respect of the remaining balance of approximately HK$14,422,000, HK$6,778,000, HK$37,557,000 and HK$39,225,000 at 31 December 2006, 2007 and 2008 and 30 June 2009 respectively due to the unpredictability of future profit streams.

38. INTERESTS IN SUBSIDIARIES

	The Company			
	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	83,553	83,553	83,553	83,553
Impairment loss recognised	(83,533)	(83,553)	(83,553)	(83,553)
	—	—	—	—
Amounts due from subsidiaries	562,170	709,207	1,339,161	974,366
Impairment losses recognised	(520,346)	(704,334)	(972,856)	(644,374)
	41,824	4,873	366,305	329,992

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 2006, 2007 and 2008 and 30 June 2009 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. Accordingly an impairment loss approximate HK$328,482,000 was reversed to the income statement for the six months ended 30 June 2009. No impairment loss was reversed to the income statement for the year ended 31 December 2006, 2007 and 2008.

The amounts due from/to subsidiaries are unsecured, interest-free and recoverable/repayable on demand. The carrying amounts of amounts due from/to subsidiaries at 31 December 2006, 2007 and 2008 and 30 June 2009 approximate to their fair values.

Details of the Company's subsidiaries 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 *(note ii)*	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
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

Name of subsidiary	Country/place of incorporation	Particulars of issued share capital/ registered capital	Principal activities
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
Rich Daily Group Limited	British Virgin Islands	100 ordinary share of US$1 each	Provision of management services
Shinhan-Golden Faith International Development Limited *(note ii)*	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	Travel business
World East Investments Limited *(note ii)*	British Virgin Islands	1 ordinary share of US$1	Investment holding in the PRC
北京莎瑪房地產開發有限公司 *(note ii)*	the PRC	Registered capital of US$15,000,000	Property investment in the PRC
上海昇平文化發展有限公司 *(note ii)*	the PRC	Registered capital of RMB1,000,000	Distribution of films and sub-licensing of film rights in PRC agent

* 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 Riche Video Limited nor to participate in any distribution on winding up.

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

(ii) On 8 April 2009, the Group sold its interest in entire issued share capital of Shinhan-Golden and World East to Mega Shell, a wholly owned subsidiary of Golife. As a result, these companies ceased as subsidiaries of the Group after the completion of disposal.

(iii) Other than the companies as stated in note ii above, all of the subsidiaries are wholly owned by the Company, except Best Season which 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.

39. ACQUISITION OF SUBSIDIARIES

(a) On 21 June 2006, the Group acquired the entire issued share capital of Shinan-Golden and the debts owed by Shinan-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	**Fair value adjustment**	**Fair value**
	HK$'000	*HK$'000*	*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
Prepayments, deposits 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)
Bank loan, secured	(346,484)	—	(346,484)
Minority interest	(3,896)	—	(3,896)
Deferred taxation	—	(54,488)	(54,488)
Net assets acquired	65,133	103,692	168,825
Goodwill			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 professional valuers not connected with the Group, at the date of acquisition.

(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 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.

(b) On 18 June 2008, the Group acquired the entire issued share capital of Rich Daily at a total consideration of approximately HK$504,000,000, which was satisfied by HK$360,000,000 in cash and issuing of convertible notes payable in an aggregate principal amount of HK$144,000,000. The amount of goodwill arising from the acquisition was approximately HK$101,965,000.

Rich Daily entered into three services agreements with three gaming promoters in Macau for the provision of management services to their concierge departments. The service fee income is calculated at 0.03% of the rolling turnover generated by the gaming promoters.

	Acquiree's carrying amount before combination	**Fair value adjustment**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Intangible assets *(note i)*	—	456,857	456,857
Cash and cash equivalents	1	—	1
Deferred taxation	—	(54,823)	(54,823)
Net assets acquired	1	402,034	402,035
Goodwill			101,965
			504,000
Fair value of purchase consideration settled by:			
Cash			360,000
Issuance of convertible notes payable *(note ii)*			144,000
			504,000
Net cash flow from acquisition of a subsidiary:			
Cash paid			(360,000)
Cash and cash equivalents acquired			1
			(359,999)

Notes:

(i) The fair values of the intangible assets and the convertible notes were determined based on the valuations performed by Grant Sherman Appraisal Limited, an independent firm of professional valuers not connected with the Group, at the date of acquisition.

(ii) The fair value of convertible notes issued was determined based on the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuers not connected with the Group, at the acquisition date.

Details of the acquisition were disclosed in the Company's circular dated 30 May 2008.

During the year ended 31 December 2008, Rich Daily contributed a profit of approximately HK$18,215,000 to the Group since the date of acquisition. If the acquisition had been completed on 1 January 2008, turnover for the year ended 31 December 2008 would have been HK$18,215,000 and profit for the year ended 31 December 2008 would have been HK$18,215,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

40. DISPOSAL OF SUBSIDIARIES

On 8 April 2009, the Company disposed entire interests in Shinhan-Golden and World East at an aggregate consideration of HK$165,075,000 (at fair value) which was satisfied by HK$6,847,000 in cash, HK$85,647,000 of fair value of convertible note receivable, HK$71,299,000 of fair value of promissory note receivable and HK$1,283,000 of issuance of Golife shares.

The net assets of Shinhan-Golden and World East and their subsidiaries at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	20,130
Investment properties	920,564
Inventories	28,969
Trade receivables	184
Deposits, prepayments and other receivables	6,660
Cash and cash equivalents	51,434
Amount due to ultimate holding company	(375,536)
Accruals and other payables	(13,469)
Receipts in advance	(39,643)
Secured bank loan	(302,794)
Deferred taxation	(55,363)
Net assets disposed of	241,136
Loss on disposal	(76,060)
Total consideration	165,076
Satisfied by:	
Cash	6,847
Fair value of Golife shares	1,283
Fair value of promissory note receivable	71,299
Fair value of convertible note receivable	85,647
	165,076
Net cash outflow arising from the disposal:	
Cash consideration received	6,847
Less: Cash and cash equivalents disposed	(51,434)
	44,587

During the six months ended 30 June 2009, the disposed companies were engaged in investment holding and had contributed turnover of HK$3,102,000 and loss of HK$5,576,000 to the Group.

41. COMMITMENTS

(a) Lease commitments

As lessee

As at the balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The Group			
	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,332	1,856	845	1,833
In the second to fifth year, inclusive	1,646	341	473	2,519
	2,978	2,197	1,318	4,352

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

As lessor

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

	The Group			
	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,700	—	4,492	—

(b) **Other commitments**

(i) At the balance sheet date, the Group had capital commitments contracted but not provided for in the consolidated financial statements:

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*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 the registered capital of Beijing Suoma	—	4,538	—	—
Renovation works in respect of the investment properties	63,739	28,750	10,408	—
Subscription for 94,153,552 new shares in Golife at a price of HK$0.10 per share	—	—	—	9,415

(ii) Pursuant to the undertaking letters issued by the owners of Shanghai Shengping during the year ended 31 December 2003, they will transfer their ownership in the registered capital of Shanghai Shengping 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 Shanghai Shengping.

(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 of 31 December 2007 and 2008 and 30 June 2009, Best Season had not drawn down the facility.

42. CONTINGENCIES

At 30 June 2009, the Company had provided a corporate guarantee to Hang Seng Bank Limited, Fuzhou Branch for securing the loan facilities of an outstanding principal amount together with accrued interest thereon of HK$302,369,000 granted to Beijing Suoma, a wholly-owned subsidiary of Golife.

Save as disclosed in note 44 to the consolidated financial statements, the Group has no material contingent liabilities at the balance sheet dates.

43. BANKING FACILITIES

The Group's secured bank loans of approximately HK$357,427,000, HK$329,018,000 and HK$319,418,000 at 31 December 2006, 2007 and 2008 respectively were secured by:

(a) Legal charges over certain of the Group's investment properties with the fair values of approximately HK$678,000,000, HK$852,081,000 and HK$853,835,000 at 31 December 2006, 2007 and 2008 respectively.

(b) Legal charges over the Group's bank deposits with balance of approximately HK$Nil, HK$16,832,000 and HK$23,470,000 at 31 December 2006, 2007 and 2008 respectively.

(c) Corporate guarantee provided by the Company.

44. LITIGATIONS

At the date of this report, 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 of the Company to be pending or threatened against any member of the Group.

At 30 June 2009 and up to the date of approval of these consolidated financial statements, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the directors of the Company to be pending or threatened against any member of the Group.

45. 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 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 options (the "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 subtenant) 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 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 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 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 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 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 Options must be accepted within 30 days inclusive of the day on which such offer is made, with a payment of HK$1 by the grantee to the Company. The exercise period of the 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 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 Options during the year/period:

Category of eligible persons	Date of grant	Exercise period	Exercise price per share HK$ *(note v)*	Outstanding at 1.1.2006, 31.12.2006, 1.1.2007 *(notes ii and iii)*	Granted during 2007	Exercised during 2007 *(note iii)*	Adjustment for the open offer *(note iii)*	Outstanding at 31.12.2007 and 1.1.2008	Granted during 2008 *(note iii)*	Exercised during 2008 *(note iii)*	Outstanding at 31.12.2008	Adjustment for the Capital Re-organisation *(note iv)*	Outstanding at 30.6.2009
Employees	8.3.2002	8.3.2002 — 7.3.2012	271.19	1,900,000	–	–	(10,674)	1,889,326	–	–	1,889,326	(1,707,141)	182,185
Employees	13.12.2004	13.12.2004 — 12.12.2014	202.33	2,757,000	–	–	(15,489)	2,741,511	–	–	2,741,511	(2,477,151)	264,360
Employees and consultants	22.3.2007	22.3.2007 — 21.3.2017	49.05	–	4,752,000 *(Note ii and iii)*	(3,240,000)	(8,494)	1,503,506	–	–	1,503,506	(1,358,526)	144,980
Employees and consultants	31.5.2007	31.5.2007 — 30.5.2017	73.01	–	7,912,900 *(Note iii)*	–	(44,454)	7,868,446	–	–	7,868,446	(7,109,703)	758,743
Employees and consultants	11.7.2007	11.7.2007 — 10.7.2009	65.75	–	9,853,699 *(Note iii)*	–	(55,358)	9,798,342	–	–	9,798,342	(8,853,507)	944,840
Employees and consultants	20.3.2008	20.3.2008— 19.3.2010	11.88	–	–	–	–	–	12,744,000	(1,001)	12,742,999	(11,514,210)	1,228,789
				4,657,000	22,518,599	(3,240,000)	(134,469)	23,801,130	12,744,000	(1,001)	36,544,130	(33,020,233)	3,523,897
Exercisable at 30 June 2009													3,523,897

Notes:

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

(ii) The number of Options has been adjusted for the share consolidation that became effective on 21 May 2007 (note 30).

(iii) The number of share options has been adjusted for the share consolidation under the Capital Reorganisation that became effective on 2 May 2008 (note 30).

(iv) The number of share options has been adjusted for the share consolidation under the Capital Reorganisation that became effective on 23 April 2009 (note 30).

(v) The exercise price per share of share options has been adjusted for the open offer completed on 30 March 2009 and capital reorganisation that took effect on 23 April 2009.

The fair value of the Options granted during the years ended 31 December 2007 and 2008 were HK$32,282,000 and HK$3,608,000 respectively which had been expensed as share-based payment expenses during the years.

The fair value of the Options granted on 22 March 2007 and 31 May 2007 were measured, using Black Scholes Pricing Model, by BMI Appraisals Limited. The fair values of the Options granted on 11 July 2007 and 20 March 2008 was measured, using a Binominal Option Pricing Model, by Grant Sherman Appraisals Limited. Both of them were independent firm of professional valuers not connected with the Group. The following table lists the inputs to the models used:

	22 March 2007	**31 May 2007**	**11 July 2007**	**20 March 2008**
Option life	10 years	10 years	2 years	2 years
Grant date share price	HK$4.20	HK$7.00	HK$6.30	HK$1.00
Exercise price	HK$4.70	HK$7.00	HK$6.30	HK$1.146
Expected volatility *(%)*	71.37%	76.53%	85.12%	95.35%
Expected lives of Options	1 month	3 months	2 years	2 years
Dividend yield *(%)*	0%	0%	0%	0%
Risk-free interest rate	3.629%	4.017%	4.236%	5.752%

The expected lives of 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 Options granted was incorporated into the measurement of fair value.

At 30 June 2009, the Company had 3,523,897 Options outstanding under the Option Scheme (31 December 2006: 4,657,000; 31 December 2007: 23,801,130; 31 December 2008: 36,544,130), representing 3.20% (31 December 2006: 0.07%; 31 December 2007: 1.22%; 31 December 2008: 18.72%) of the existing issued share capital of the Company.

46. 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 a 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.

47. MATERIAL RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into the following material related party transactions with China Star Group during the Relevant Periods:

Name of company	Nature of transaction	For the year ended 31 December 2006 HK$'000	2007 HK$'000	2008 HK$'000	For the six months ended 30 June 2008 HK$'000 (Unaudited)	2009 HK$'000
1. China Star	Salaries	—	(1,300)	(1,260)	(660)	(500)
2. China Star	Interest expense	(100)	—	—	—	—
3. China Star Production Services Limited	Post-production service expense	(90)	—	—	—	—
4. China Star	Repayment of loan	(33,800)	—	—	—	—
5. China Star	Amount due by the group	—	(700)	(600)	—	—
6. China Star Laser Disc Company Limited	Amount due by the group	—	(1)	—	—	—
7. China Star HK Distribution Limited	Sub-licensing income	200	—	—	—	—
8. China Star	Interest income on loan advance	—	—	—	—	1,726

For the year ended 31 December 2006

(i) During the year ended 31 December 2006, the Group sold four film rights to China Star Group.

(ii) During the year ended 31 December 2006, the Company repaid the one year term loan of HK$33,800,000 to China Star.

For the year ended 31 December 2007

(i) 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.

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

a. 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.

b. 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.

For the year ended 31 December 2008

(i) On 28 February 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 from 28 February 2008 to 30 March 2008.

(ii) 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 from 31 March 2008 to 30 May 2008.

(iii) On 29 May 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 from 30 May 2008 to 31 July 2008.

(iv) On 31 July 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 from 31 July 2008 to 31 October 2008.

(v) On 31 October 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 from 31 October 2008 to 31 January 2009.

(vi) On 23 December 2008, the Group entered into a deed of termination with China Star to terminate the conditional sale and purchase agreement dated 1 August 2007.

For the six months ended 30 June 2009

(i) On 8 April 2009 (being the date of completion of disposal of Shinhan-Golden and World East), Shanghai Shengping was indebted to the Group in the sum of HK$375,536,000. Pursuant to the sale and purchase agreement dated 26 November 2008, the loan to Shanghai Shengping by the Group was not settled immediately upon completion of disposal and Golife has provided a guarantee to the Group for a term of maximum of three financial years of Golife ending 31 December 2011 to secure the repayment. During the six months ended 30 June 2009, Shanghai Shengping repaid HK$120,000,000 to the Group.

(ii) On 29 April 2009, the Company made a loan of HK$200,000,000 to China Star pursuant to the loan agreement dated 11 March 2009.

(b) Compensation of 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 10 to the consolidated financial statements, is as follows:

	The Group				
	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and bonuses	3,954	3,875	4,080	1,890	1,892
Contribution to retirement benefits scheme	24	24	24	12	12
Share-based payment expenses	—	4,345	349	349	—
	3,978	8,244	4,453	2,251	1,904

48. PLEDGE OF ASSETS

The Group has pledged its investment properties with fair values of HK$678,000,000, HK$852,081,000 and HK$853,835,000 and its bank deposits of approximately HK$Nil, HK$16,832,000 and HK$23,470,000 at 31 December 2006, 2007 and 2008 respectively to secure the bank loans amounted to HK$357,427,000, HK$329,018,000 and HK$319,418,000 respectively.

49. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group			
	At 31 December			At 30 June
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Fair value through profit or loss (FVTPL) — held for trading				
— Equity securities listed in Hong Kong, at market value	28,100	—	—	9,000
Loan and receivables (including cash and cash equivalents)	83,330	564,471	15,864	648,864
Available-for-sale investments				
— Club membership	172	172	172	172
Amortised cost	439,139	396,005	139,836	150,819

(b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk — 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 exposure 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 2006, 2007 and 2008 and 30 June 2009, the Group held financial assets at fair value through profit or loss amounted to HK$28,100,000, HK$Nil, HK$Nil and HK$9,000,000 respectively. 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 2006, 2007 and 2008 and for the six months ended 30 June 2009 will be increase/decrease by HK$761,000, HK$Nil, HK$Nil and HK$450,000 respectively 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 previous years.

(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 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 results.

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/(loss) before taxation (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in Renminbi rate	**Increase/ (decrease) in profit/ (loss) before taxation**
	%	*HK$'000*
At 31 December 2006		
If Renminbi weakens against Hong Kong Dollar	5	290
If Renminbi strengthens against Hong Kong Dollar	(5)	(290)
At 31 December 2007		
If Renminbi weakens against Hong Kong Dollar	5	1,957
If Renminbi strengthens against Hong Kong Dollar	(5)	(1,957)
At 31 December 2008		
If Renminbi weakens against Hong Kong Dollar	5	4,107
If Renminbi strengthens against Hong Kong Dollar	(5)	(4,107)
At 30 June 2009		
If Renminbi weakens against Hong Kong Dollar	5	249
If Renminbi strengthens against Hong Kong Dollar	(5)	(249)

(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 consolidated 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*
At 31 December 2006						
Accruals and other payables	20,208	—	—	—	—	20,208
Receipts in advance and deposits received	60,898	—	—	—	—	60,898
Amounts due to related companies	—	—	606	—	—	606
Secured bank loans	—	—	5,470	351,957	—	357,427
	81,106	—	6,076	351,957	—	439,139
At 31 December 2007						
Accruals and other payables	19,245	—	—	—	—	19,245
Receipts in advance and deposits received	47,041	—	—	—	—	47,041
Amounts due to related companies	—	—	701	—	—	701
Secured bank loans	738	10,718	16,077	301,485	—	329,018
	67,024	10,718	16,778	301,485	—	396,005

	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*
At 31 December 2008						
Continuing operations						
Accruals and other payables	32,956	—	—	—	—	32,956
Receipts in advance and deposits received	477	—	—	—	—	477
Amounts due to related companies	—	—	600	—	—	600
Discontinued operations						
Accruals and other payments	13,961	—	—	—	—	13,961
Receipts in advance	39,470	—	—	—	—	39,470
Secured bank loans	—	17,526	17,006	284,886	—	319,418
	86,864	17,526	17,606	284,886	—	406,882
At 30 June 2009						
Accruals and other payables	7,946	—	—	—	—	7,946
Receipts in advance and deposits received	—	35,000	479	—	—	35,479
	7,946	35,000	479	—	—	43,425

(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 or loss 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.

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
If interest rates were 2% higher				
Post-tax profit or loss for the year	(431)	(527)	(492)	—
If interest rates were 2% lower				
Post-tax profit or loss for the year	431	527	492	—

(c) Fair value estimation

The carrying amounts of the Group's financial assets, including cash and cash equivalents, trade receivables, deposits, prepayments and other receivables, and financial liabilities, including accruals, other payables 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 values of financial liabilities for disclosure purposes are 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 instruments 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.

(d) 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 the Relevant Periods. 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 2006, 2007 and 2008 and 30 June 2009 were as follows:

	At 31 December			**At 30 June**
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to related companies	606	701	600	—
Convertible notes payable	—	—	105,803	107,394
Secured bank loans	357,427	329,018	—	—
Total borrowings	358,033	329,719	106,403	107,394
Equity attributable to equity holders of the Company	399,636	1,046,080	894,423	826,090
Gearing ratio	89.6%	31.5%	11.9%	13.0%

50. SUBSEQUENT EVENTS

Subsequent to 30 June 2009 and up to the date of the Interim Financial Statements, the Company had entered into the following transactions:

(a) On 23 July 2009, the Company entered into a subscription agreement with China Star, pursuant to which China Star has conditionally agreed to issue and the Company has conditionally agreed to subscribe or procure subscription for the convertible bond in the principal amount of HK$200,000,000, the subscription price of which shall be satisfied by setting off against the loan made by the Company to China Star in April 2009. Please refer to the Company's circular dated 28 August 2009 for further details.

The subscription of the convertible bond and the conversion of the convertible bond were approved by the independent shareholders, other than Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and their associates, on 14 September 2009.

(b) On 28 August 2009, the Company, Kingston Securities Limited and Classical Statue Limited, a substantial shareholder of the Company, entered into a placing and subscription agreement pursuant to which Classical Statue Limited has agreed to place, through Kingston Securities Limited, 22,000,000 existing shares of HK$0.01 beneficially owned by Classical Statue Limited, on a fully underwritten basis, to not less than six placees at a price of HK$0.42 per share. Pursuant to the placing and subscription agreement, Classical Statue Limited has conditionally agreed to subscribe for 22,000,000 new shares of HK$0.01 each at a price of HK$0.42 per share. The net proceeds of HK$9,030,000 from the subscription are intended to be used for generate working capital of the Group. Please refer to the Company's announcement dated 28 August 2008 for further details.

The placing of existing shares was completed on 31 August 2009 and the subscription of new shares was completed on 10 September 2009.

(c) In relation to the acquisition of Rich Daily from Well Will Investment Limited, Mr. Ng Cheuk Fai has irrevocably and unconditionally guaranteed to the Group that (i) the services fee for the period from 1 July 2008 to 30 June 2009 (the "First Relevant Period") shall not less than HK$72,000,000; and (ii) the services fee for the period from 1 July 2009 to 30 June 2010 (the "Second Relevant Period") shall not less than HK$72,000,000. In the event the services fee guarantee for the First Relevant Period is not achieved, the consideration for the acquisition shall be adjusted by 7 times of the amount of shortfall. The adjustment shall be initially deducted from the convertible bond I of HK$72,000,000. In the event that the convertible bond I is insufficient to settle the adjustment, Mr. Ng Cheuk Fai has undertaken to pay the balance in cash.

At the end of the First Relevant Period, the actual services fee received and/or receivable by Rich Daily was approximately HK$57,224,000 and the amount of shortfall amounted to approximately HK$14,776,000. Therefore, the consideration for the acquisition shall be adjusted by HK$103,434,000.

(d) On 12 October 2009, Kingston Securities Limited and Simple View Investment Limited entered into the placing agreement pursuant to which, Simple View Investment Limited has conditionally agreed to place, through Kingston Securities Limited on a fully underwritten basis, 320,000,000 shares in China Star (the "Placing Shares") to not fewer than six placees who and whose ultimate beneficial owners are independent third parties of and not connected with the Company or China Star and their respective connected persons at a price of HK$0.20 per placing share in China Star. Kingston Securities Limited undertakes that none of the Placees is the Shareholders from the date of this announcement to the date immediately prior to the completion of the placing.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2009 and up to the date of this report.

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

STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business of 30 September 2009, being the latest practicable date for the purpose of the statement of indebtedness, the Group had outstanding borrowings of HK$72,000,000, representing the convertible bond issued to Well Will Investment Limited which is unsecured, interest-bearing at 5% per annum and maturing on 28 August 2018.

Disclaimer

Saved as disclosed above and apart from intra-group liabilities, the 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 30 September 2009.

WORKING CAPITAL

As at the Latest Practicable Date, after taking into account of the available credit facilities and the internal resources of the Group, the Directors were of the opinion that the Group had sufficient working capital for its normal business for at least the next 12 months period from the date of publication 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 30 June 2009, being the date to which the latest audited financial statements of the Group were made up.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

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

20 November 2009

The Directors
China Star Investment Holdings Limited
Room 3408, Shun Tak Center, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of China Star Investment Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), set out on pages 135 to 146 under the headings of "Unaudited Pro Forma Financial Information of the Remaining Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the Company's circular dated 20 November 2009 (the "Circular"), of very substantial disposal in connection with the proposed placing of 320,000,000 shares in the issued share capital of China Star Entertainment Limited (the "Placing"). 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 Placing might have affected the relevant financial information presented, for inclusion in Appendix III of the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 135 of this 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 with reference to 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 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. This engagement did not involved independent examination of any of the underlying financial information.

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 judgments 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 Remaining Group (the Group after the Placing) as at 30 June 2009 or any future date, or

— the results and cash flows of the Remaining Group for the six months ended 30 June 2009 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 OF THE REMAINING GROUP

The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared to illustrate the effect of the Placing.

The following is the Unaudited Pro Forma Financial Information of the Remaining Group as if the Placing had taken place on 30 June 2009 for the unaudited pro forma consolidated statement of financial position and on 1 January 2009 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flow.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunctions with the historical financial information of the Group as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

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

(i) Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

The following is the unaudited pro forma consolidated statement of financial position of the Remaining Group, assuming that the Placing had been completed on 30 June 2009. The unaudited pro forma consolidated statement of financial position is based on the audited consolidated statement of financial position of the Group at 30 June 2009 as set out in Appendix II to this Circular. Such information is adjusted to reflect the effect of the Placing.

As the unaudited pro forma consolidated statement of financial position of the Remaining 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 Remaining Group at the date to which it is made up to or at any future date.

	The Group at 30 June 2009	Pro forma adjustment	Pro forma adjustment	The Enlarged Group at 30 June 2009	Pro forma adjustment	The Remaining Group at 30 June 2009
		Note 1	*Note 2*		*Note 3*	
ASSETS	*HK$000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets						
Property, plant and equipment	1,899			1,899		1,899
Intangible assets	339,537			339,537		339,537
Interests in associates	25,506		728,282	753,788	(423,728)	330,060
Promissory note receivable	72,434			72,434		72,434
Convertible notes receivable	3,061	168,615	(92,738)	78,938		78,938
Loan to a related company	200,000	(200,000)		—		—
Club membership	172			172		172
	642,609			1,246,768		823,040
Current assets						
Trade receivables	4,468			4,468		4,468
Deposits, prepayments and other receivables	11,482			11,482		11,482
Loan to an associate	255,536			255,536		255,536
Financial assets at fair value through profits or loss	9,000			9,000		9,000
Conversion options embedded in conversion notes receivable	59,714	31,385	(17,262)	73,837		73,837
Cash and cash equivalents	42,169			42,169	63,040	105,209
	382,369			396,492		459,532
Total assets	1,024,978			1,643,260		1,282,572

	The Group at 30 June 2009	Pro forma adjustment	Pro forma adjustment	The Enlarged Group at 30 June 2009	Pro forma adjustment	The Remaining Group at 30 June 2009
		Note 1	*Note 2*		*Note 3*	
	HK$000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY						
Capital and reserves attributable to equity holders of the Company						
Share capital	1,101			1,101		1,101
Reserves	824,989		618,282	1,443,271	(360,688)	1,082,583
	826,090			1,444,372		1,083,684
LIABILITIES						
Current liabilities						
Accruals and other payables	7,946			7,946		7,946
Receipts in advance and deposits received	35,479			35,479		35,479
Tax payable	731			731		731
	44,156			44,156		44,156
Non-current liabilities						
Convertible notes payables	107,394			107,394		107,394
Deferred taxation	47,338			47,338		47,338
	154,732			154,732		154,732
Total equity and liabilities	1,024,978			1,643,260		1,282,572
Net current assets	338,213			352,336		415,376
Total assets less current liabilities	980,822			1,599,104		1,238,416

Notes to the Unaudited Pro Forma Financial Information

Under HKFRS 3 Business Combinations ("HKFRS 3"), the Company will apply the purchase method to account for acquisition of an associate of China Star Entertainment Limited ("CSE") through partial conversion of the convertible notes receivable with principal amount of HK$200,000,000 (the "CN"). In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of CSE and its subsidiaries (the "CSE Group") will be recorded on the consolidated statement of financial position of the Group under interest in associates at the Group's interest in fair values of the identifiable net assets of CSE at the date of completion of partial conversion of the CN. Any goodwill or discount arising on acquisition of the associates will be determined as the excess or deficit of the purchase price to be incurred by the Company over the Company's interests in fair value of the identifiable assets, liabilities and contingent liabilities of CSE at the date of completion of the acquisition. Negative goodwill resulting from the business combinations under equity method should be recognised immediately in the consolidated income statement.

1. The pro forma adjustment represented the effect on subscription of the CN which conferring the rights to the Group to convert 1,000,000,000 CSE Shares at a conversion price of HK$0.20 each. The aggregate subscription cost was satisfied by setting off against the unsecured loan facility granted by the Group to CSE amounted to HK$200,000,000.

   On initial recognition, the CN were divided into convertible notes receivable and conversion options embedded in convertible notes receivable in the consolidated statement of financial position. The convertible notes receivable of approximately HK$168,615,000 was determined by using effective interest method, and the conversion options embedded in convertible notes receivable of approximately HK$31,385,000 was determined by using Binomial Option Pricing Model, assuming the subscription of the CN and the Placing had taken place on 30 June 2009.

2. The pro forma adjustment represented the effect to the Group on partially converted the CN at principal amount of HK$110,000,000 and resulted the Group held 550,000,000 shares of CSE (representing of approximately 29.79% of the existing issued share capital of CSE as at 30 June 2009).

   Following the partial conversion of the CN, (i) the principal value of the convertible notes receivable was decreased by approximately HK$92,738,000; (ii) the fair value of the conversion options embedded in convertible notes receivable was decreased by approximately HK$17,262,000 and (iii) the interest in associates was increased by approximately HK$728,282,000 as CSE became an associate to the Group. The increase in interest in associates comprised of the cost of investment in CSE of approximately HK$110,000,000 and an excess of interest in fair value of identifiable net assets of CSE over cost of approximaely HK$618,282,000, assuming the partial conversion of the CN and the Placing had taken place on 30 June 2009.

   The Group treated the investment in CSE under equity method because the Group has significant influence over CSE by way of board representation in order to participate in the financial and operating policy decisions in CSE.

3. The pro forma adjustment represented the effect on the Placing at placing price of HK$0.20 per CSE placing share.

   Upon completion of the Placing, the Group recognised a loss on the Placing of approximately HK$360,688,000, which was calculated as the difference between the gross proceeds from the Placing of approximately HK$64,000,000 less (i) an estimated transaction cost of approximately HK$960,000 and (ii) the decrease in interest in CSE on 30 June 2009 of approximately HK$423,728,000, which comprised of the cost of investment in CSE of approximately HK$64,000,000 and an excess of interest in fair value of identifiable net assets of CSE over cost of approximately HK$359,728,000, assuming the Placing had taken place on 30 June 2009.

(ii) Unaudited Pro Forma Consolidated Income Statement of the Remaining Group

The following is the unaudited pro forma consolidated income statement of the Remaining Group, assuming that the Placing had been completed on 1 January 2009. The unaudited pro forma consolidated income statement is based on the audited consolidated income statement of the Group for the six months ended 30 June 2009 as set out in Appendix II to this Circular. Such information is adjusted to reflect the effect of the Placing.

As the unaudited pro forma consolidated income statement of the Remaining 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 Remaining Group after completion for the six months ended to which it is made up to or for any future period.

	The Group for the six months ended 30 June 2009	Pro forma adjustment	Pro forma adjustment	The Enlarged Group for the six months ended 30 June *2009*	Pro forma adjustment	The Remaining Group for the six months ended 30 June 2009
		Note 4	*Note 5*		*Note 6*	
	HK$000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations						
Turnover	28,346			28,346		28,346
Cost of sales	(642)			(642)		(642)
Gross profit	27,704			27,704		27,704
Other revenue and other income	3,134	2,642		5,776		5,776
Administrative expenses	(5,715)			(5,715)		(5,715)
Impairment loss on intangible assets	(117,320)			(117,320)		(117,320)
Fair value change of conversion options embedded in convertible notes receivable	(23,144)	37,786		14,642		14,642
Fair value change of financial asset at fair value through profit or loss	7,750			7,750		7,750
Loss on disposal of subsidiaries	(76,060)			(76,060)		(76,060)
Loss on disposal of an associate	—			—	(473,021)	(473,021)
Excess of acquirers's interest in fair value of acquiree's identifiable net assets over cost	17,122		811,354	828,476		828,476
Loss on deemed disposal of an associate	(4,931)			(4,931)	(80,684)	(85,615)
Profit/(loss) from operations	(171,460)			680,322		126,617
Finance costs	(5,221)			(5,221)		(5,221)
Share of results of associates	(2,566)			(2,566)	10,885	8,319
Profit/(loss) before taxation	(179,247)			672,535		129,715
Taxation	14,341			14,341		14,341
Profit/(loss) for the period from continuing operations	(164,906)			686,876		144,056
Discontinued operations						
Loss for the period from discontinued operations	(5,576)			(5,576)		(5,576)
Profit/(loss) for the period	(170,482)			681,300		138,480

(iii) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

The following is the unaudited pro forma consolidated statement of cash flows of the Remaining Group, assuming that the Placing had been completed on 1 January 2009. The unaudited pro forma consolidated statement of cash flows is based on the audited consolidated statement of cash flow of the Group for the six months ended 30 June 2009 as set out in Appendix II to this Circular. Such information is adjusted to reflect the effect of the Placing.

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

	The Group for the six months ended 30 June 2009	**Pro forma adjustment**	**Pro forma adjustment**	**The Enlarged Group for the six months ended 30 June 2009**	**Pro forma adjustment**	**The Remaining Group for the six months ended 30 June 2009**
		Note 7	*Note 8*		*Note 9*	
	HK$000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES						
Profit/(loss) before taxation from continuing operations	(179,247)	40,428	811,354	672,535	(542,820)	129,715
Loss before taxation from discontinued operations	(4,975)			(4,975)		(4,975)
Profit/(loss) before taxation	(184,222)			667,560		124,740
Adjustment for:						
Interest income	(466)			(466)		(466)
Interest income on loan to a related company	(1,726)	1,726		—		—
Imputed interest income on convertible notes receivable	(272)	(4,368)		(4,640)		(4,640)
Imputed interest income on promissory note receivable	(1,135)			(1,135)		(1,135)
Share of results of associates	2,566			2,566	(10,885)	(8,319)

	The Group for the six months ended 30 June 2009	Pro forma adjustment	Pro forma adjustment	The Enlarged Group for the six months ended 30 June 2009	Pro forma adjustment	The Remaining Group for the six months ended 30 June 2009
		Note 7	*Note 8*		*Note 9*	
	HK$000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost	(17,122)		(811,354)	(828,476)		(828,476)
Loss on deemed disposal of an associate	4,931			4,931	80,684	85,615
Loss on disposal of an associate	—			—	473,021	473,021
Loss on disposal of subsidiaries	76,060			76,060		76,060
Impairment loss in respect of intangible assets	117,320			117,320		117,320
Fair value changes of financial assets at fair value through profit or loss	(7,750)			(7,750)		(7,750)
Fair value changes of conversion options embedded in convertible notes receivable	23,144	(37,786)		(14,642)		(14,642)
Finance costs	10,899			10,899		10,899
Depreciation of property, plant and equipment	1,549			1,549		1,549
Operating cash flows before movements in working capital	23,776			23,776		23,776
Decrease in trade receivables	2,371			2,371		2,371
Increase in deposits, prepayments and other receivables	(8,629)			(8,629)		(8,629)
Decrease in accruals and other payables	(25,010)			(25,010)		(25,010)
Increase in receipts in advance and deposits received	35,002			35,002		35,002
Decrease in amount due to a related company	(100)			(100)		(100)
Change in assets held for sale	313,628			313,628		313,628

	The Group for the six months ended 30 June 2009	Pro forma adjustment	Pro forma adjustment	The Enlarged Group for the six months ended 30 June 2009	Pro forma adjustment	The Remaining Group for the six months ended 30 June 2009
		Note 7	*Note 8*		*Note 9*	
	HK$000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash generated from operating activities	341,038			341,038		341,038
INVESTING ACTIVITIES						
Interest received	466			466		466
Proceeds from disposal of subsidiaries	6,847			6,847		6,847
Proceeds from disposal of interest in an associate	—			—	63,040	63,040
Loan to an associate	(255,536)			(255,536)		(255,536)
Loan to a related company	(200,000)	200,000		—		—
Subscription of convertible notes receivable	—	(200,000)		(200,000)		(200,000)
Purchase of financial assets at fair value through profit or loss	(1,250)			(1,250)		(1,250)
Purchase of property, plant and equipment	(3)			(3)		(3)
Net cash used in investing activities	(449,476)			(449,476)		(386,436)
FINANCING ACTIVITIES						
Interest paid	(9,308)			(9,308)		(9,308)
Issuance of new shares and exercise of share options	87,127			87,127		87,127
Repayment of secured bank loans	(17,006)			(17,006)		(17,006)

	The Group for the six months ended 30 June 2009	Pro forma adjustment	Pro forma adjustment	The Enlarged Group for the six months ended 30 June 2009	Pro forma adjustment	The Remaining Group for the six months ended 30 June 2009
		Note 7	*Note 8*		*Note 9*	
	HK$000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash generated from financing activities	60,813			60,813		60,813
Net increase/(decrease) in cash and cash equivalents	(47,625)			(47,625)		15,415
Effect of foreign exchange rate changes	424			424		424
Cash and cash equivalents at beginning of period	89,370			89,370		89,370
Cash and cash equivalents at end of period	42,169	—	—	42,169	63,040	105,209
Analysis of the balances of cash and cash equivalents						
Cash and cash equivalents per the consolidated statement of financial position	42,169	—	—	42,169	63,040	105,209

Notes to the Unaudited Pro Forma Financial Information

4. (a) The pro forma adjustment on other revenue and other income represented (i) reversal of interest income on loan to CSE of approximately HK$1,726,000 and (ii) recognition of the imputed interest income of approximately HK$4,368,000 for the six months ended 30 June 2009 on the remaining portion of convertible notes receivable of the CN at principal amount of HK$90,000,000, assuming the Placing had taken place on 1 January 2009. The adjustment on reversal of interest income on loan to CSE is not expected to have a continuing effect on the Remaining Group and the adjustment on imputed interest income recognition on the remaining portion of convertible notes receivable of the CN at principal amount of HK$90,000,000 is expected to have a continuing effect on the Remaining Group.

(b) The pro forma adjustment on conversion options embedded in convertible notes receivable represented the fair value gain on conversion options embedded in convertible notes receivable of the CN, which was calculated as the difference between the fair value of conversion options embedded in convertible notes receivable of the CN of approximately HK$52,986,000 and HK$90,772,000 at 1 January 2009 and 30 June 2009 respectively, assuming the Placing had taken place on 1 January 2009. The fair value of conversion options embedded in convertible notes receivable of the CN at 1 January 2009 and 30 June 2009 have been arrived at on the basis of valuation carried out by Grant Sherman Appraisal Limited, an independent valuers not connected with the Group. This adjustment is expected to have a continuing effect on the Remaining Group

5. The pro forma adjustment on share of results of associates represented the gain on excess of interest in fair value of identifiable net assets of CSE over cost of approximately HK$811,354,000, which was calculated at the cost of investment in CSE of approximately HK$110,000,000 less the interest in fair value of identifiable net assets of CSE of approximately HK$921,354,000 attributable from partial conversion of the CN, assuming the partial conversion of the CN and the Placing had taken place on 1 January 2009. This adjustment is not expected to have a continuing effect on the Remaining Group.

The Group treated the investment in CSE under equity method because the Group has significant influence over CSE by way of board representation in order to participate in the financial and operating policy decisions in CSE.

6. (a) The pro forma adjustment on loss on disposal of an associate amounted to approximately HK$473,021,000 represented the difference between the gross proceeds from the Placing of approximately HK$64,000,000 less (i) an estimated transaction cost of approximately HK$960,000 and (ii) the decrease in interest in CSE on 1 January 2009 of approximately HK$536,061,000, assuming the Placing had taken place on 1 January 2009. This adjustment is not expected to have a continuing effect on the Remaining Group.

(b) The pro forma adjustment on loss on deemed disposal of an associate amounted to approximately HK$80,684,000 represented dilution of interest in CSE after placement of shares had been taken place by CSE on 11 June 2009 at an aggregate of 800,000,000 placing shares in CSE at HK$0.20 each as set out in CSE's announcement dated 12 May 2009. This adjustment is not expected to have a continuing effect on the Remaining Group.

(c) The pro forma adjustment on share of results of associates represented the share of profit in CSE for the six months ended 30 June 2009 of approximately HK$10,885,000, assuming the Placing had taken place on 1 January 2009. This adjustment is expected to have a continuing effect on the Remaining Group.

7. (a) The pro forma adjustment on interest income on loan to a related company amounted to approximately HK$1,726,000 represented the reversal of interest income made on loan to CSE, assuming the Placing had taken place on 1 January 2009. This adjustment is not expected to have a continuing effect on the Remaining Group.

(b) The pro forma adjustment on imputed interest income on convertible notes receivable amounted to approximately HK$4,368,000 represented that recognition of the imputed interest income for the six months ended 30 June 2009 on the remaining portion of convertible notes receivable of the CN at principal amount of HK$90,000,000, assuming the Placing had taken place on 1 January 2009. This adjustment is expected to have a continuing effect on the Remaining Group.

(c) The pro forma adjustment on conversion options embedded in convertible notes receivable represented the fair value gain on conversion options embedded in convertible notes receivable of the CN, which was calculated as the difference between the fair value of conversion options embedded in convertible notes receivable of the CN of approximately HK$52,986,000 and HK$90,772,000 at 1 January 2009 and 30 June 2009 respectively, assuming the Placing had taken place on 1 January 2009. This adjustment is expected to have a continuing effect on the Remaining Group.

8. The pro forma adjustment represented the gain on excess of interest in fair value of identifiable net assets of CSE over cost of approximately HK$811,354,000, which was calculated at the cost of investment in CSE of approximately HK$110,000,000 less the interest in fair value of identifiable net assets of CSE of approximately HK$921,354,000 attributable from partial conversion of the CN, assuming the partial conversion of the CN and the Placing had taken place on 1 January 2009. This adjustment is not expected to have a continuing effect on the Remaining Group.

The Group treated the investment in CSE under equity method because the Group has significant influence over CSE by way of board representation in order to participate in the financial and operating policy decisions in CSE.

9. (a) The pro forma adjustment on loss on disposal of an associate amounted to approximately HK$473,021,000 was calculated as the difference between the gross proceeds from the Placing of approximately HK$64,000,000 less (i) an estimated transaction cost of approximately HK$960,000 and (ii) the decrease in interest in CSE on 1 January 2009 of approximately HK$536,061,000, assuming the Placing had taken place on 1 January 2009. This adjustment is not expected to have a continuing effect on the Remaining Group.

(b) The pro forma adjustment on loss on deemed disposal of an associate amounted to approximately HK$80,684,000 represented dilution of interest in CSE after placement of shares had been taken place by CSE on 11 June 2009 at an aggregate of 800,000,000 placing shares in CSE at HK$0.2 each as set out in CSE's announcement dated 12 May 2009. This adjustment is not expected to have a continuing effect on the Remaining Group.

(c) The pro forma adjustment on share of results of associates represented the share of profit in CSE for the six months ended 30 June 2009 of approximately HK$10,885,000, assuming the Placing had taken place on 1 January 2009. This adjustment is expected to have a continuing effect on the Remaining 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 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

(a) The Company

Name of Director	Capacity	Interests in Shares	Interests in underlying Shares	Total interests in Shares	Approximate percentage of the issued share capital of the Company
Ms. Chen	Held by controlled corporation	32,928,286	—	32,928,286	24.92%
Mr. Heung	Held by controlled corporation	32,928,286	—	32,928,286	24.92%

(b) Associated corporation – CSE

Name of Director	Capacity	Interests in CSE Shares	Interests in underlying CSE Shares	Total interests in CSE Shares	Approximate percentage of the issued share capital of CSE
Ms. Chen	Beneficial owner	—	700,026,367	700,026,367	37.91%
	Held by spouse	—	26,367	26,367	0.00%
	Held by controlled corporation	137,025	—	137,025	0.01%
		137,025	700,052,734	700,189,759	37.92%
Mr. Heung	Beneficial owner	—	26,367	26,367	0.00%
	Held by spouse	—	700,026,367	700,026,367	37.91%
	Held by controlled corporation	137,025	—	137,025	0.01%
		137,025	700,052,734	700,189,759	37.92%

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 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 Group or had any option in respect of such capital:

Long positions

Name	*Notes*	Capacity	Interests in Shares	Interests in underlying Shares	Total interests in Shares	Approximate percentage of the issued share capital of the Company
Classical Statue	*1*	Beneficial owner	32,928,286	—	32,928,286	24.92%
Glenstone Investments Limited	*1*	Held by controlled corporation	32,928,286	—	32,928,286	24.92%
Porterstone Limited	*1*	Held by controlled corporation	32,928,286	—	32,928,286	24.92%
Mr. Heung	*1*	Held by controlled corporation	32,928,286	—	32,928,286	24.92%
Ms. Chen	*1*	Held by controlled corporation	32,928,286	—	32,928,286	24.92%

Name	*Notes*	Capacity	Interests in Shares	Interests in underlying Shares	Total interests in Shares	Approximate percentage of the issued share capital of the Company
The Placing Agent	*2*	Beneficial owner	8,159,510	—	8,159,510	6.17%
Ms. Chu Yuet Wah	*2*	Held by controlled corporation	8,159,510	—	8,159,510	6.17%
Ms. Ma Siu Fong	*2*	Held by controlled corporation	8,159,510	—	8,159,510	6.17%
Asia Vest Partners VII Limited	*3*	Held by controlled corporation	1,294,921	—	1,294,921	9.95%
Asia Vest Partners X Limited	*3*	Held by controlled corporation	1,294,921	—	1,294,921	9.95%
Asia Vest Partners Limited	*3*	Held by controlled corporation	1,294,921	—	1,294,921	9.95%
Mr. Andrew Nan Sherrill	*3*	Held by controlled corporation	1,294,921	—	1,294,921	9.95%

Notes:

1. Classical Statue is a company wholly-owned by Glenstone Investments Limited. Glenstone Investments Limited is owned as to 60% by Porterstone Limited (a company wholly-owned by Ms. Chen) and as to 40% by Mr. Heung.

2. 51% and 49% of the shareholding of the Placing Agent are respectively owned by Ms. Chu Yuet Wah and Ms. Ma Siu Fong. Ms. Chu Yuet Wah and Ms. Ma Siu Fong are deemed to be interested in the 8,159,510 Shares by virtue of Part XV of the SFO.

3. The number of Shares was adjusted for the share consolidations that took effective on 30 April 2008 and 23 April 2009.

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 Group which was subsisting as at the date of this circular and which was significant in relation to the business of the 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 Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2009, being the date to which the latest published audited consolidated accounts of the 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, the 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 Group.

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. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion and advice, which is contained in this circular:

Name	Qualifications
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants

HLB Hodgson Impey Cheng has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, references to its name and/or its advice in the form and context in which they respectively appear.

9. EXPERT'S INTERESTS IN ASSETS

As at the Latest Practicable Date, HLB Hodgson Impey Cheng:

(a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2009, being the date to which the latest published audited accounts of the Company were made up; and

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

10. 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 Tricor Standard Limited, having its registered office situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) Mr. Chan Kin Wah, Billy, the company secretary 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 University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from University of New South Wales in Australia.

(d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in the case of inconsistency.

11. MATERIAL CONTRACTS

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

(i) the conditional sale and purchase agreement dated 28 February 2008 entered into between Riche (BVI) Limited, a wholly-owned subsidiary of the Company, and Well Will Investment Limited relating to an acquisition of a 100% interest in Rich Daily Group Limited at an initial consideration of HK$504,000,000 (subject to adjustment);

(ii) the service agreement entered into between Ocho Sciedade Unipessoal Limited (“Ocho”) and Rich Daily Group Limited on 28 February 2008 in relation to the provision of concierge services by Rich Daily Group Limited to Ocho with the monthly services fee calculated as 0.03% of the rolling turnover achieved by Ocho;

(iii) the placing agreement dated 4 November 2008 (as supplemented by a supplemental agreement dated 6 November 2008) entered into by the Company and the Placing Agent, pursuant to which the Company agreed to place a maximum of 500,000,000 new shares of HK$0.01 each in the share capital of the Company by a maximum of five tranches to independent investors at a price of HK$0.05 per share;

(iv) the conditional sale and purchase agreement dated 26 November 2008 entered into between Riche (BVI) Limited, Mega Shell Services Limited and Golife Concepts Holdings Limited in relation to the proposed disposal of the entire issued share capital of Shinhan-Golden Faith International Development Limited and World East Investments Limited and two sale loans by Riche (BVI) Limited for a consideration of HK$211,466,310 (subject to adjustment);

(v) the termination agreement dated 23 December 2008 entered into Legend Rich Limited, an indirect wholly-owned subsidiary of the Company, the Company and CSE in relation to the termination of the conditional sale and purchase agreement dated 1 August 2007 relating to the acquisition of a 100% interest in the issued share capital of Exceptional Gain Profit Limited and a sale loan for a consideration of HK$447,000,000;

(vi) the top-up placing and subscription agreement dated 29 December 2008 entered into among the Company, the Placing Agent and Classical Statue in relation to the placing of 39,000,000 existing shares of HK$0.01 each in the then issued share capital of the Company to independent investors and the top-up subscription of 39,000,000 new shares of HK$0.01 each in the then share capital of the Company at a price of HK$0.102 per share;

(vii) the underwriting agreement dated 16 February 2009 entered into between the Company and the Placing Agent in relation to the proposed issue of not less than 217,093,498 new shares and not more than 367,093,498 new shares in the then issued share capital of the Company at a subscription price of HK$0.10 per new share by way of open offer to the qualifying Shareholders for subscription on the basis of one new share for every two existing shares held on the record date;

(viii) the conditional loan agreement dated 11 March 2009 entered into between the Company as lender and CSE as borrower in respect of the Loan Facility of up to HK$200 million granted by the Company to CSE;

(ix) the deed of termination dated 18 March 2009 entered into between Rich Joy Investments Limited and Best Season Holdings Corp., a 75% owned subsidiary of the Group, in relation to the termination of the facility agreement dated 11 May 2007 entered into between Rich Joy Investments Limited and Best Season Holdings Corp. in relation to the revolving facility of up to HK$200,000,000;

(x) the CB Subscription Agreement;

(xi) the top-up placing and subscription agreement dated 28 August 2009 entered into among the Company and the Placing Agent and Classical Statue in relation to the placing of 22,000,000 existing share in the issued share capital of the Company to independent investors and the top-up subscription of 22,000,000 new shares of HK$0.01 each in the issued share capital of the Company at a price of HK$0.42 per share; and

(xii) the Placing Agreement.

12. 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 of association and bye-laws of the Company;

(b) the annual reports of the Company for the two financial years ended 31 December 2008 and the interim report of the Company for the six months ended 30 June 2009;

(c) the written consents referred to in the paragraph headed “Expert and Consent” to this Appendix;

(d) the accountants’ report of the Group as set out in Appendix II in this circular and the unaudited pro forma financial information of the Remaining Group as set out in Appendix III in this circular;

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

(f) 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 2008, being the date of the latest published audited accounts of the Company; and

(g) this circular.

中国星
CHINA STAR INVESTMENT HOLDINGS LIMITED

CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of China Star Investment Holdings Limited (the "**Company**") will be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 7 December 2009 at 4:30 p.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) subject to the fulfillment or waiver of the conditions as set out in the conditional placing agreement (the "**Placing Agreement**", a copy of which having been produced to the Meeting marked "A" and initialled by the chairman of the Meeting for the purpose of identification) dated 12 October 2009 and entered into between Simple View Investment Limited, an indirect wholly-owned subsidiary of the Company, and Kingston Securities Limited in respect of the placing of 320,000,000 shares of HK$0.01 each in the share capital of China Star Entertainment Limited, the Placing Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more of the directors (each a "**Director**") of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as he/she/they consider(s) necessary, desirable or expedient in his/her/their opinion to implement and/or give effect to the Placing Agreement and the transactions contemplated thereunder."

2. "**THAT**

(a) the refreshment (the "**Proposed Refreshment**") of the total number of ordinary shares in the share capital of the Company which may be issued upon the exercise of option to be granted under the share option scheme adopted by the Company on 21 January 2002 to up to 10 per cent. of the shares of the Company in issue as at the date of passing of this resolution be and is hereby approved; and

(b) any one or more of the Directors be and is/are hereby authorised to take all such acts and things and execute all such documents, including under seal where applicable, as he/she/they consider(s) necessary, desirable or expedient in his/her/their opinion to implement and/or give effect to the Proposed Refreshment."

By Order of the Board
China Star Investment Holdings Limited
Heung Wah Keung
Chairman

Hong Kong, 20 November 2009

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 member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road Central, Wanchai, Hong Kong 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 a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he so wish.

3. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.