



KH INVESTMENT HOLDINGS LIMITED

嘉匯投資控股有限公司\*

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

**(Stock Code: 8172)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

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

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\* for identification purpose only

## UNAUDITED INTERIM RESULTS

The board (the “Board”) of Directors of KH Investment Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011, together with the comparative unaudited figures for 2010 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended		For the six months ended	
		30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
<b>Continuing operations</b>					
Turnover	4	12,081	9,676	21,511	12,603
Cost of sales		(9,474)	(7,566)	(16,849)	(9,697)
Gross profit		2,607	2,110	4,662	2,906
Other revenue and income	5	67	983	90	1,006
Administrative expenses		(1,705)	(9,023)	(5,892)	(12,937)
Other operating expenses	6	—	(108,906)	—	(108,906)
Finance costs	7	(148)	(2,153)	(292)	(5,633)
Profit/(loss) before tax	8	821	(116,989)	(1,432)	(123,564)
Tax credit	9	—	235	—	235
Profit/(loss) for the period from continuing operations		<u>821</u>	<u>(116,754)</u>	<u>(1,432)</u>	<u>(123,329)</u>
<b>Discontinued operations</b>					
Profit for the period from discontinued operations	10	—	58,429	—	66,229
<b>Profit/(loss) attributable to owners of the Company</b>		<u>821</u>	<u>(58,325)</u>	<u>(1,432)</u>	<u>(57,100)</u>
<b>Dividend</b>		<u>—</u>	<u>40,232</u>	<u>—</u>	<u>40,232</u>
<b>Earnings/(loss) per share</b>					
From continuing and discontinued operations	11				
— Basic and diluted		<u>HK0.16 cent</u>	<u>HK(17.40) cents</u>	<u>HK(0.28) cent</u>	<u>HK(18.90) cents</u>
From continuing operations					
— Basic and diluted		<u>HK0.16 cent</u>	<u>HK(34.82) cents</u>	<u>HK(0.28) cent</u>	<u>HK(40.82) cents</u>
From discontinued operations					
— Basic and diluted		<u>N/A</u>	<u>HK17.42 cents</u>	<u>N/A</u>	<u>HK21.92 cents</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Convertible loan notes reserve (Unaudited) HK\$'000	Share-based payments reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	(Accumulated losses)/ retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2010	6,763	195,484	22,564	127,648	1,370	(537)	(177,912)	175,380
Net loss for the period	—	—	—	—	—	—	(57,100)	(57,100)
Other comprehensive income for the period	—	—	—	—	—	(6,068)	—	(6,068)
Total comprehensive income for the period	—	—	—	—	—	(6,068)	(57,100)	(63,168)
Extention period of convertible loan notes	—	—	—	508	—	—	—	508
Capital reduction	(5,411)	—	5,411	—	—	—	—	—
Placing new shares, net	2,000	57,350	—	—	—	—	—	59,350
Capital reorganisation	—	(252,834)	40,551	—	—	—	212,283	—
Dividend, paid	—	—	(40,232)	—	—	—	—	(40,232)
Redemption of convertible loan notes	—	—	—	(150,448)	—	—	48,483	(101,965)
Deferred tax released on redemption of convertible loan notes	—	—	—	24,192	—	—	—	24,192
Recognition of equity-settled share-based payments	—	—	—	—	3,341	—	—	3,341
Release of exchange reserve upon disposal of a subsidiaries	—	—	—	—	—	6,605	—	6,605
At 30 June 2010	<u>3,352</u>	<u>—</u>	<u>28,294</u>	<u>1,900</u>	<u>4,711</u>	<u>—</u>	<u>25,754</u>	<u>64,011</u>
At 1 January 2011	<u>5,056</u>	<u>47,383</u>	<u>28,294</u>	<u>2,381</u>	<u>1,367</u>	<u>—</u>	<u>31,217</u>	<u>115,698</u>
Net loss for the period	—	—	—	—	—	—	(1,432)	(1,432)
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—	(1,432)	(1,432)
Recognition of equity-settled share-based payments	—	—	—	—	2,409	—	—	2,409
Lapsed of share options	—	—	—	—	(1,240)	—	1,240	—
At 30 June 2011	<u>5,056</u>	<u>47,383</u>	<u>28,294</u>	<u>2,381</u>	<u>2,536</u>	<u>—</u>	<u>31,025</u>	<u>116,675</u>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 June 2001 and continued in Bermuda on 16 March 2009. The Company's shares have been listed on the GEM of the Stock Exchange since 26 March 2002.

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 3407, 34/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong respectively.

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

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

### 2. Basis of preparation and consolidation

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

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

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

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

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

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

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

### 3. Segment information

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

#### a. Business Segment

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

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

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



## b. Geographical Segment

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

## 4. Turnover

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

## 5. Other revenue and income

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

## 6. Other operating expenses

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

## 7. Finance costs

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

## 8. Profit/(loss) before tax

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

## 9. Tax credit

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

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses brought forward during the period under review (2010: Nil).

## 10. Discontinued operations

On 28 May 2010, the Group disposed of (i) its wholly owned subsidiary of Mega Shell Services Limited (“Mega Shell”) and its subsidiaries (collectively referred to the “Mega Shell Group”) and (ii) an amount due to its ultimate holding company (the “Mega Shell Sale loan”). Upon completion of the disposal, the Mega Shell Group will cease to be subsidiaries of the Company and the business of service apartment operation which is solely carried out by the Mega Shell Group, will become a discontinued operation of the Group.

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

The combined results of the discontinued operations related to the Mega Shell Group and the Amazing Goal Group are set out below.

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Other revenue and income	—	1,944	—	2,046
Gain arising on change in fair values of investment properties	—	—	—	11,816
Administrative expenses	—	(4,536)	—	(8,649)
Finance costs	—	(2)	—	(7)
	<u>—</u>	<u>(2,594)</u>	<u>—</u>	<u>5,206</u>
(Loss)/profit before tax	—	(2,594)	—	5,206
Tax	—	(3,545)	—	(3,545)
	<u>—</u>	<u>(6,139)</u>	<u>—</u>	<u>1,661</u>
Gain on disposal of the Mega Shell Group	—	64,568	—	64,568
Profit for the period from discontinued operations	<u>—</u>	<u>58,429</u>	<u>—</u>	<u>66,229</u>

## 11. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit attributable to owners of the Company for the three months ended 30 June 2011 of approximately HK\$0.8 million (2010: loss attributable to owners of the Company of approximately HK\$58.3 million) and loss attributable to owners of the Company for the six months ended 30 June 2011 of approximately HK\$1.4 million (2010: loss attributable to owners of the Company of approximately HK\$57.1 million) and the weighted average of 505,649,726 shares in issue during the three months ended 30 June 2011 (2010: 335,266,054 shares) and the weighted average of 505,649,726 shares in issue during the six months ended 30 June 2011 (2010: 302,116,882 shares).

For the three months and six months ended 30 June 2011 and 2010, diluted earnings/(loss) per share was not presented as the exercise of share option and conversion of all outstanding convertible loan notes would have anti-dilutive effects.

## 12. Property, plant and equipment

	(Unaudited) HK\$'000
Net book value at 1 January 2011	204
Additions	24
Disposal	—
Depreciation for the period	(35)
	<hr/>
Net book value at 30 June 2011	<u>193</u>

## 13. Trade receivables

An aged analysis of the trade receivables is as follows:

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
0 — 90 days	141	911
91 — 180 days	—	40
181 — 365 days	42	488
Over 365 days	488	—
	<hr/>	<hr/>
	<u>671</u>	<u>1,439</u>

#### 14. Trade payables

An aged analysis of the trade payables is as follows:

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
0 — 90 days	—	4
91 — 180 days	—	159
181 — 365 days	—	162
Over 365 days	—	—
	<hr/>	<hr/>
	—	325
	<hr/> <hr/>	<hr/> <hr/>

#### 15. Convertible loan notes

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Liability component at 1 January	4,348	17,596
Extention of period	—	(1,331)
Conversion during the period	—	(559)
Redemption during the period	—	(13,381)
Effective interest expenses	291	2,023
	<hr/>	<hr/>
Liability component	4,639	4,348
	<hr/> <hr/>	<hr/> <hr/>

## 16. Share capital

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
At 1 January 2011 and 30 June 2011, ordinary shares of HK\$0.01 each	<u>3,000,000,000</u>	<u>30,000</u>
Issued and full paid:		
At 1 January 2010 and 30 June 2011, ordinary shares of HK\$0.01 each	<u>505,649,726</u>	<u>5,056</u>

## 17. Operating lease arrangement

The Group leases office premises under operating lease arrangement. Leases for office premises are negotiated for the term in 2 years.

At the financial position date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>At 30 June 2011 (Unaudited) HK\$'000</b>	<b>At 31 December 2010 (Audited) HK\$'000</b>
Within one year	<b>89</b>	224
In the second to fifth years, inclusive	<u>—</u>	<u>—</u>
	<u><b>89</b></u>	<u>224</u>



## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

For continuing operations, revenue of the Group was HK\$21.5 million for the six months ended 30 June 2011 (2010: HK\$12.6 million), of which HK\$21.2 million (2010: HK\$12.6 million), HK\$0.1 million (2010: Nil) and HK\$0.2 million (2010: Nil) was generated from provision of artist management services, film production and provision of infrared thermal imaging and thermography solutions and consultancy services respectively, representing an increase of 70.6% as compared with the period ended 30 June 2010.

Administrative expenses decreased by 54.3% to HK\$5.9 million from HK\$12.9 million in prior year. Such decrease was mainly contributed by the decrease of legal and professional fees and equity-settled share option expenses during the period under review.

Finance costs decreased by 94.6% to HK\$0.3 million from HK\$5.6 million in prior year. Early redemption of convertible loan notes and promissory note by the Company during the year 2010 resulted in the decrease of effective interest expenses on these financial instruments incurred during the current period.

During the period under review, loss attributable to owners of the Company was HK\$1.4 million (2010: loss attributable to owners of the Company of HK\$57.1 million). The improvement in results was mainly contributed by non-recurrence of one-off other operating expenses of loss on early redemption of promissory note and convertible loan notes recorded in last corresponding period. In addition, excluding the recognition of equity-settled share option expenses of HK\$2.4 million, the operating results of the Group will be adjusted to a net profit of HK\$1 million.

### **Business Review**

#### ***Artist Management***

During the period under review, the revenue contributed by such segment was HK\$21.2 million (2010: HK\$12.6 million), representing an increase of 68.3% as compared with the period ended 30 June 2010. The considerable growth of the revenue in such segment was in line with the management's expectation. The gross profit margin decreased to 20.7% from 23.0% in prior year. The decrease in gross profit margin was because the majority of the revenue in the current period was contributed by the artists who have a relatively lower commission rate of the performance fee charged by the Group.

### ***Pending litigation***

On 30 May 2011, China Star Management Limited (“CSM”), an indirect wholly-owned subsidiary of the Company, issued a writ of summons against Tang’s Workshop Limited (“Tang’s Workshop”). CSM claimed to recover the services rendered or work done and material supplied to Tang’s Workshop for the sum of HK\$127,500. At the date of this announcement, final judgement of this court proceedings has not yet been granted.

### ***Film Distribution and Production***

During the period under review, the Group did not have any addition of film rights and revenue of HK\$0.1 million (2010: Nil) was generated from the sale of the film right to broadcast the film “Written By” through the media of regional television and internet in the PRC market. The gross profit margin was 85.0%. The formation of the joint venture company, China Star Film Group Limited which is engaged in the production and distribution of films, was completed on 7 January 2011. Two films are in their pre-production phases and these films are expected to be released for exhibition in the PRC and Hong Kong on or before the first quarter of 2012.

### ***Provision of Infrared Thermal Imaging and Thermography Solutions and Consultancy Services***

During the period under review, the revenue contributed by such segment was HK\$0.2 million (2010: Nil) and was mainly derived from the trading and leasing of equipments. The gross profit margin was 73.8%.

### **Future Plans**

The management is optimistic about the PRC’s economic development prospects in the foreseeable future. The Group will put more effort into the development of its existing business in the PRC market. Meanwhile, the Group will also seek for new investment opportunities in order to diversify the Group’s revenue base.

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30 June 2011, the Group had total assets of HK\$136.9 million (2010: HK\$138.1 million), including cash and bank balances of HK\$105.2 million (2010: HK\$66.8 million). The increase in cash and bank balances was mainly contributed by the refund of a deposit amounted HK\$40 million due to the termination of the acquisition of Sinofocus Media (Holdings) Limited as announced by the Company on 15 April 2011.

During the period under review, the Group financed its operation with internally generated cash flows.

## **CAPITAL STRUCTURE**

There was no change with capital structure of the Group at 30 June 2011 as compared with that at 31 December 2010.

At 30 June 2011, the total borrowings of the Group amounted to HK\$4.6 million (2010: HK\$4.3 million), comprising the liability component of HK\$4.6 million in respect of the convertible loan notes with a principal amount of HK\$6.2 million issued by the Company which is unsecured, interest free and maturing in September 2013.

## **GEARING RATIO**

The gearing ratio, expressed as percentage of total liabilities over total assets, was 14.8% (2010: 16.2%). The improvement in gearing ratio was mainly contributed by the decrease of current liabilities as compared with that in prior year.

## **CHARGE ON THE GROUP'S ASSETS**

At 30 June 2011, the Group did not have any charge on its assets.

## **FOREIGN EXCHANGE RISKS**

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need rise.

## **COMMITMENTS**

At 30 June 2011, the Group had no commitments (2010: Nil).

## **CONTINGENT LIABILITIES**

At 30 June 2011, the Group had no contingent liabilities (2010: Nil).

## **EMPLOYEES**

At 30 June 2011, the Group had 9 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme. Other benefits include share options granted or to be granted under the Company's share option scheme.

## **SIGNIFICANT INVESTMENT**

The Group did not hold any significant investment during the period ended 30 June 2011.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES**

The Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies during the period ended 30 June 2011.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group does not have any concrete plan for material investments and capital assets for the coming quarters.

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

At 30 June 2011, the interests and short position of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules, were as follows:

### **Long Positions in the ordinary shares of HK\$0.01 each of the Company**

<b>Name of director</b>	<b>Interest in shares</b>	<b>Interest in underlying shares</b>	<b>Total interest in shares</b>	<b>Percentage of the Company's issued share capital</b>
Mr. Lai Hok Lim	3,348,000	2,940,000	6,288,000	1.24%

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme (the “Scheme”) on 6 March 2002. The principal terms of the Scheme have been set out in the Note 38 to the financial statements in the annual report of the Company for the year ended 31 December 2010.

Details of the Company's share options granted under the Scheme are as follows:

Date of grant	Category of eligible persons	Exercise price	Exercise period	Outstanding at 1/1/2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30/6/2011
18/5/2010	Consultants	HK\$0.202	18/5/2010 to 17/5/2011	2,100,000	—	—	(2,100,000)	—	—
2/6/2010	Director	HK\$0.325	2/6/2010 to 1/6/2011	3,350,000	—	—	(3,350,000)	—	—
	Employees	HK\$0.325	2/6/2010 to 1/6/2011	6,700,000	—	—	(6,700,000)	—	—
	Consultants	HK\$0.325	2/6/2010 to 1/6/2011	2,100,000	—	—	(2,100,000)	—	—
3/12/2010	Consultants	HK\$0.347	3/12/2010 to 2/12/2011	2,040,000	—	—	—	—	2,040,000
3/1/2011	Director	HK\$0.335	3/1/2011 to 2/1/2012	—	2,940,000	—	—	—	2,940,000
	Employees	HK\$0.335	3/1/2011 to 2/1/2012	—	2,940,000	—	—	—	2,940,000
	Consultants	HK\$0.335	3/1/2011 to 2/1/2012	—	32,860,000	—	—	—	32,860,000
				<u>16,290,000</u>	<u>38,740,000</u>	<u>—</u>	<u>(14,250,000)</u>	<u>—</u>	<u>40,780,000</u>

## **DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed above, at 30 June 2011, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2011, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

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

Name of shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Percentage of the Company's issued share capital
Mr. Lo Yuk Sui ("Mr. Lo")	Interest of controlled corporation ( <i>Note 1</i> )	151,000,000	—	151,000,000	29.86%
Secure Way Technology Limited ("Secure Way")	Interest of controlled corporation ( <i>Note 1</i> )	151,000,000	—	151,000,000	29.86%
Net Community Limited ("Net Community")	Interest of controlled corporation ( <i>Note 2</i> )	151,000,000	—	151,000,000	29.86%
Century Digital Holdings Limited ("Century Digital")	Interest of controlled corporation ( <i>Note 3</i> )	151,000,000	—	151,000,000	29.86%
Grand Modern Investments Limited ("Grand Modern")	Interest of controlled corporation ( <i>Note 4</i> )	151,000,000	—	151,000,000	29.86%
Century City International Holdings Limited ("Century City International")	Interest of controlled corporation ( <i>Note 5</i> )	151,000,000	—	151,000,000	29.86%
Century City BVI Holdings Limited ("Century City BVI")	Interest of controlled corporation ( <i>Note 6</i> )	151,000,000	—	151,000,000	29.86%

Name of shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Percentage of the Company's issued share capital
Century City Holdings Limited ("Century City Holdings")	Interest of controlled corporation <i>(Note 7)</i>	151,000,000	—	151,000,000	29.86%
Aikford Financial Services Limited ("Aikford")	Beneficial owner <i>(Note 8)</i>	151,000,000	—	151,000,000	29.86%
Culture Landmark Investment Limited ("Culture Landmark")	Interest of controlled corporation <i>(Note 9)</i>	147,030,000	—	147,030,000	29.08%
New Asia Media Development Limited ("New Asia Media")	Beneficial owner <i>(Note 9)</i>	147,030,000	—	147,030,000	29.08%

*Notes:*

- (1) Secure Way is wholly and beneficially owned by Mr. Lo Yuk Sui.
- (2) Net Community is wholly and beneficially owned by Secure Way.
- (3) Century Digital is wholly and beneficially owned by Net Community.
- (4) Grand Modern is wholly and beneficially owned by Century Digital.
- (5) Grand Modern owns 50.2% interest in Century City International.
- (6) Century City BVI is wholly and beneficially owned by Century City International, a company listed on the Main Board of the Stock Exchange.
- (7) Century City Holdings is wholly and beneficially owned by Century City BVI.
- (8) Aikford is the beneficial owner of 151,000,000 shares of the Company and is wholly and beneficially owned by Century City Holdings.
- (9) New Asia Media is the beneficial owner of 147,030,000 shares of the Company and is wholly and beneficially owned by Culture Landmark, a company listed on the Main Board of the Stock Exchange.

Save as disclosed above, at 30 June 2011, the Company has not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## **COMPETING INTEREST**

At 30 June 2011, none of the Directors, the substantial shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

Save as disclosed below, the Company complied with provisions set out in Appendix 15 of the Code of Corporate Governance Practices of the GEM Listing Rules for the six months ended 30 June 2011.

### **a. Chairman and chief executive officer**

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

### **b. Terms of non-executive Directors**

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



## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 June 2011, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company's Directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

## **AUDIT COMMITTEE**

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

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

The audit committee has reviewed the draft of this announcement and has provided advice and comments thereon.

By Order of the Board  
**Lai Hok Lim**  
*Chairman*

Hong Kong, 11 August 2011

*As at the date of this announcement, the Board comprises one executive Director, namely Mr. Lai Hok Lim; and three independent non-executive Directors, namely Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng.*

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