



KH INVESTMENT HOLDINGS LIMITED

嘉匯投資控股有限公司*

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

(Stock Code: 8172)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2011

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

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

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

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

* for identification purpose only

UNAUDITED FIRST QUARTERLY RESULTS

The board (the “Board”) of Directors of KH Investment Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 31 March 2011, together with the comparative unaudited figures for 2010 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 31 March	
		2011	2010
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Continuing operations			
Turnover		9,430	2,927
Cost of sales		<u>(7,375)</u>	<u>(2,131)</u>
Gross profit		2,055	796
Other revenue and income	3	23	23
Administrative expenses		(4,187)	(3,914)
Finance costs	4	<u>(144)</u>	<u>(3,480)</u>
Loss before tax	5	(2,253)	(6,575)
Tax	6	<u>—</u>	<u>—</u>
Loss for the period from continuing operations		(2,253)	(6,575)
Discontinued operations			
Profit for the period from discontinued operations	7	<u>—</u>	<u>7,800</u>
(Loss)/profit attributable to owners of the Company		<u>(2,253)</u>	<u>1,225</u>
(Loss)/earnings per share			
From continuing and discontinued operations	8		
— Basic and diluted		<u>HK(0.45) cent</u>	<u>HK0.46 cent</u>
From continuing operations			
— Basic and diluted		<u>HK(0.45) cent</u>	<u>HK(2.44) cents</u>
From discontinued operations			
— Basic and diluted		<u>N/A</u>	<u>HK2.90 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the period	(2,253)	1,225
Other comprehensive income		
Exchange differences on translation of foreign operations during the period	—	(2,917)
Total comprehensive income for the period	(2,253)	(1,692)
Total comprehensive income attributable to owners of the Company	(2,253)	(1,692)

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

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

The unaudited condensed consolidated income statement and unaudited condensed consolidated statement of comprehensive income 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 artist management services, film production and distribution and provision of infrared thermal imaging and thermography solutions and consultancy services.

2. Basis of preparation and consolidation

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

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

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

The preparation of Unaudited Consolidated Results in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

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

All significant transactions and balances within the Group have been eliminated on consolidation.

In the current period, the Group has applied, for the first time, a number of revised HKFRSs issued by the HKICPA, which are effective for the financial year beginning on 1 January 2011. The adoption of these new HKFRSs had no material effect on the results of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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. Other revenue and income

	For the three months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Continuing operations		
Bank interest income	17	11
Sundry Income	<u>6</u>	<u>12</u>
	<u>23</u>	<u>23</u>
Discontinued operations		
Bank interest income	—	90
Gain on disposal of property, plant and equipment	—	7
Sundry Income	<u>—</u>	<u>5</u>
	<u>—</u>	<u>102</u>
	<u><u>23</u></u>	<u><u>125</u></u>

4. Finance costs

	For the three months ended 31 March	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Continuing operations		
Effective interest expenses on convertible loan notes	143	1,050
Interest on bank loans and overdraft wholly repayable within five years	1	—
Effective interest expenses on promissory note	—	2,430
	<u>144</u>	<u>3,480</u>
Discontinued operations		
Interest on bank loans and overdraft wholly repayable within five years	—	1
Interest on finance leases	—	4
	<u>—</u>	<u>5</u>
	<u>144</u>	<u>3,485</u>

5. Loss before tax

	For the three months ended 31 March	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Continuing operations		
Depreciation of property, plant and equipment	16	88
Minimum lease payments under operating leases on land and buildings	54	43
Staff costs (including directors' remuneration)		
Salaries and allowance	752	1,022
Equity-settled share option expenses	2,409	—
	<u>2,409</u>	<u>—</u>
Discounted operations		
Depreciation of property, plant and equipment	—	851
Minimum lease payments under operating leases on land and buildings	—	19
Staff costs (including directors' remuneration)		
Salaries and allowance	—	231
	<u>—</u>	<u>231</u>

6. Tax

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).

7. Discontinued operations

Analysis of the results of discontinued operations is as follows:

	For the three months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue	—	—
Other revenue and income	—	102
Gain arising on change in fair values of investment properties	—	11,816
Administrative expenses	—	(4,113)
Finance costs	—	(5)
	<hr/>	<hr/>
Profit before tax	—	7,800
Tax	—	—
	<hr/>	<hr/>
Profit for the period from discontinued operations	<u>—</u>	<u>7,800</u>

8. (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share is based on the loss attributable to owners of the Company for the three months ended 31 March 2011 of HK\$2.3 million (2010: profit attributable to owners of the Company of HK\$1.2 million) and on the weighted average of 505,649,726 shares in issue during the three months ended 31 March 2011 (2010: 268,599,387 shares).

For the three months ended 31 March 2011 and 2010, diluted (loss)/earnings per share was not presented as the exercise of share option and conversion of all outstanding convertible loan notes would have anti-dilutive effects.

9. Reserves

	Share premium (Unaudited) <i>HK\$'000</i>	Contributed surplus (Unaudited) <i>HK\$'000</i>	Convertible loan notes reserve (Unaudited) <i>HK\$'000</i>	Share-based payments reserve (Unaudited) <i>HK\$'000</i>	Exchange reserve (Unaudited) <i>HK\$'000</i>	(Accumulated losses)/ retained profits (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 January 2010	195,484	22,564	127,648	1,370	(537)	(177,912)	168,617
Net profit for the period	—	—	—	—	—	1,225	1,225
Other comprehensive income for the period	—	—	—	—	(2,917)	—	(2,917)
Total comprehensive income for the period	—	—	—	—	(2,917)	1,225	(1,692)
Capital reduction	—	5,411	—	—	—	—	5,411
Issue of new shares	57,380	—	—	—	—	—	57,380
At 31 March 2010	<u>252,864</u>	<u>27,975</u>	<u>127,648</u>	<u>1,370</u>	<u>(3,454)</u>	<u>(176,687)</u>	<u>229,716</u>
At 1 January 2011	<u>47,383</u>	<u>28,294</u>	<u>2,381</u>	<u>1,367</u>	<u>—</u>	<u>31,217</u>	<u>110,642</u>
Net loss for the period	—	—	—	—	—	(2,253)	(2,253)
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	(2,253)	(2,253)
Recognition of equity-settled share- based payments	—	—	—	2,409	—	—	2,409
At 31 March 2011	<u>47,383</u>	<u>28,294</u>	<u>2,381</u>	<u>3,776</u>	<u>—</u>	<u>28,964</u>	<u>110,798</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For continuing operations, turnover of the Group was HK\$9.4 million for the three months ended 31 March 2011 (2010: HK\$2.9 million), of which HK\$9.2 million (2010: HK\$2.9 million) and HK\$0.2 million (2010: Nil) was generated from provision of artist management services and provision of infrared thermal imaging and thermography solutions and consultancy services respectively, representing an increase of 224.1% as compared with the period ended 31 March 2010.

Administrative expenses increased by 7.7% to HK\$4.2 million from HK\$3.9 million in prior year. Such increase was mainly attributed to the recognition of equity-settled share option expenses of HK\$2.4 million in respect of the share options granted by the Company during the period under review.

Finance costs decreased by 97.1% to HK\$0.1 million from HK\$3.5 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 period under review.

Loss attributable to owners of the Company was HK\$2.3 million (2010: profit attributable to owners of the Company of HK\$1.2 million). The deterioration in results was mainly attributed to the recognition of equity-settled share option expenses of HK\$2.4 million during the period under review. Excluding such non-cash item, the operating results of the Group will be adjusted to a net profit of HK\$0.1 million.

Business Review

Artist Management

During the period under review, the revenue contributed by such segment was HK\$9.2 million (2010: HK\$2.9 million), representing an increase of 217.2% as compared with the period ended 31 March 2010. As the economic growth of the PRC is strong, the considerable growth of the revenue in such segment, especially in the PRC market, was in line with the management's expectation. The gross profit margin decreased to 21.0% from 27.2% 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.

Film Production and Distribution

The Group did not have any addition of film rights and no revenue was recorded in such segment during the period under review. 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 in late 2011.

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 62.2%.

Termination of Very Substantial Acquisition

On 15 April 2011, the Company and Media China Corporation Limited (the “Vendor”) mutually agreed to terminate the sale and purchase agreement in relation to the acquisition of the entire issued share in Sinofocus Media (Holdings) Limited (the “Target Company”) and all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor for the cash consideration of HK\$82,000,000 by entering into a deed of termination. The reason for the termination was that both the Company and the Vendor expected that prolong time will be required to obtain further information in relation to the acquisition to be incorporated in the circular of the Company and it was anticipated that the long stop date will be lapsed before all the conditions precedent as set out in the sale and purchase agreement have been satisfied. As there is no concrete schedule when such information can be obtained, the Company and the Vendor considered that it would not be in the best interests of both parties to proceed with the acquisition. The Directors believed that the termination of the sale and purchase agreement has no material adverse impact of the interests of the Company and the shareholders as well as the existing business and financial position of the Group.

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.

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

At 31 March 2011, the interests and short positions 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 (the "SFO")) which were 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 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

Name of director	Interest in shares	Interest in underlying shares	Total interest in shares	Percentage of the Company's issued share capital
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 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31 March 2011
18 May 2010	Consultants	HK\$0.202	18 May 2010 to 17 May 2011	2,100,000	—	—	—	—	2,100,000
2 June 2010	Director	HK\$0.325	2 June 2010 to 1 June 2011	3,350,000	—	—	—	—	3,350,000
	Consultants	HK\$0.325	2 June 2010 to 1 June 2011	8,800,000	—	—	—	—	8,800,000
3 December 2010	Consultants	HK\$0.347	3 December 2010 to 2 December 2011	2,040,000	—	—	—	—	2,040,000
3 January 2011	Director	HK\$0.335	3 January 2011 to 2 January 2012	—	2,940,000	—	—	—	2,940,000
	Employees	HK\$0.335	3 January 2011 to 2 January 2012	—	2,940,000	—	—	—	2,940,000
	Consultants	HK\$0.335	3 January 2011 to 2 January 2012	—	32,860,000	—	—	—	32,860,000
				16,290,000	38,740,000	—	—	—	55,030,000

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

Save as disclosed above, at 31 March 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 31 March 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
Culture Landmark Investment Limited	Interest of controlled corporation (<i>Note 1</i>)	62,830,000	—	62,830,000	12.43%
New Asia Media Development Limited	Beneficial owner (<i>Note 1</i>)	62,830,000	—	62,830,000	12.43%

Note:

- (1) New Asia Media Development Limited (“New Asia Media”) is the beneficial owner of 62,830,000 shares of the Company. As New Asia Media is wholly-owned by Culture Landmark Investment Limited (“Culture Landmark”), a company listed on the Main Board of the Stock Exchange, Culture Landmark is deemed to be interested in such 62,830,000 shares.

Save as disclosed above, at 31 March 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 31 March 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 three months ended 31 March 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 three months ended 31 March 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 three months ended 31 March 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, 6 May 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.