



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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

Characteristics of the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high 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 this announcement misleading.

* For identification purpose only

RESULTS

The board (the “Board”) of directors (the “Directors”) of KH Investment Holdings Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2010 together with the comparative figures for the corresponding year in 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
Continuing operations			
Turnover	6	21,790	7,198
Cost of sales		(16,694)	(5,750)
Gross profit		5,096	1,448
Other revenue		292	582
Other income		836	456
Administrative expenses		(17,713)	(17,375)
Other operating expenses	7	(119,533)	(2,638)
Finance costs	8	(5,939)	(10,197)
Loss before tax	9	(136,961)	(27,724)
Tax (charge)/credit	10	(5)	553
Loss for the year from continuing operations		(136,966)	(27,171)
Discontinued operations	11		
Profit for the year from discontinued operations		84,513	53,270
(Loss)/profit attributable to owners of the Company		(52,453)	26,099
(Loss)/earnings per share	13		
From continuing and discontinued operations			
Basic and diluted		HK(15.19) cents	HK37.96 cents
From continuing operations			
Basic and diluted		HK(39.66) cents	HK(39.52) cents
From discontinued operations			
Basic and diluted		HK24.47 cents	HK77.49 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year	<u>(52,453)</u>	<u>26,099</u>
Other comprehensive income		
Exchange differences arising on translation of foreign operations during the year	<u>(6,068)</u>	<u>(537)</u>
Total comprehensive income for the year	<u>(58,521)</u>	<u>25,562</u>
Total comprehensive income attributable to owners of the Company	<u>(58,521)</u>	<u>25,562</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Non-current assets			
Property, plant and equipment		204	8,027
Investment properties		—	118,619
Intangible assets		1,175	7,958
Goodwill		14,200	—
Total non-current assets		15,579	134,604
Current assets			
Trade receivables	14	1,439	186,716
Deposits, prepayments and other receivables	15	54,276	13,411
Financial assets at fair value through profit or loss		—	1
Properties held for sale		—	29,033
Cash and bank balances		66,770	230,463
Total current assets		122,485	459,624
Current liabilities			
Bank overdraft		32	—
Trade payables	16	325	197
Accruals and other payables		9,213	124,225
Interest-bearing bank and other borrowings		—	130
Amount due to a shareholder		—	155,535
Receipts in advance		8,370	42,428
Tax payable		78	15,303
Total current liabilities		18,018	337,818
Net current assets		104,467	121,806
Total assets less current liabilities		120,046	256,410
Non-current liabilities			
Promissory note		—	31,831
Convertible loan notes		4,348	17,596
Deferred taxation		—	31,603
Total non-current liabilities		4,348	81,030
Net assets		115,698	175,380
Equity			
Issued capital		5,056	6,763
Reserves		110,642	168,617
Total equity		115,698	175,380

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Issued capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible loan notes reserve <i>HK\$'000</i>	Share-based payments reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	(Accumulated losses)/ retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2009	16,446	135,062	—	12,693	98	—	(208,949)	(44,650)
Net profit for the year	—	—	—	—	—	—	26,099	26,099
Other comprehensive income for the year	—	—	—	—	—	(537)	—	(537)
Total comprehensive income for the year	—	—	—	—	—	(537)	26,099	25,562
Issue of convertible loan notes	—	—	—	241,878	—	—	—	241,878
Deferred tax of convertible loan notes	—	—	—	(39,910)	—	—	—	(39,910)
Redemption of convertible loan notes	—	—	—	(101,942)	—	—	4,840	(97,102)
Deferred tax released on redemption of convertible loan notes	—	—	—	14,929	—	—	—	14,929
Capital reduction	(22,564)	—	22,564	—	—	—	—	—
Issue of shares arising on acquisition of subsidiaries	118	2,001	—	—	—	—	—	2,119
Recognition of equity-settled share-based payments	—	—	—	—	4,197	—	—	4,197
Issue of shares upon exercise of share options	519	7,145	—	—	(2,827)	—	—	4,837
Cancellation of share options	—	—	—	—	(98)	—	98	—
Issue of new shares on open offer	12,128	49,066	—	—	—	—	—	61,194
Placing of new shares, net	116	2,210	—	—	—	—	—	2,326
At 31 December 2009 and 1 January 2010	6,763	195,484	22,564	127,648	1,370	(537)	(177,912)	175,380
Net loss for the year	—	—	—	—	—	—	(52,453)	(52,453)
Other comprehensive income for the year	—	—	—	—	—	(6,068)	—	(6,068)
Total comprehensive income for the year	—	—	—	—	—	(6,068)	(52,453)	(58,521)
Extension period of convertible loan notes	—	—	—	508	—	—	—	508
Redemption of convertible loan notes	—	—	—	(150,448)	—	—	48,482	(101,966)
Deferred tax released on redemption of convertible loan notes	—	—	—	24,981	—	—	(553)	24,428
Conversion of convertible loan notes	16	851	—	(308)	—	—	—	559
Capital reduction	(5,411)	—	5,411	—	—	—	—	—
Capital reorganisation	—	(252,834)	40,551	—	—	—	212,283	—
Release of exchange reserve upon disposal of subsidiaries	—	—	—	—	—	6,605	—	6,605
Issue of shares arising on acquisition of subsidiaries	592	17,755	—	—	—	—	—	18,347
Recognition of equity-settled share-based payments	—	—	—	—	3,468	—	—	3,468
Issue of shares upon exercise of share option	256	9,390	—	—	(2,101)	—	—	7,545
Lapsed of share options	—	—	—	—	(1,370)	—	1,370	—
Placing of new shares, net	2,840	76,737	—	—	—	—	—	79,577
Dividend paid (<i>Note 12</i>)	—	—	(40,232)	—	—	—	—	(40,232)
At 31 December 2010	5,056	47,383	28,294	2,381	1,367	—	31,217	115,698

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 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 principal activity of the Company is investment holding and the principal activities of its subsidiaries are provision of artist management services, film production and distribution and provision of infrared thermal imaging and thermography solutions and consultancy services.

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

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2010. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 4 Amendment	Amendment to HK-Int 4 Lease — Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as disclosed below, the adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current or prior accounting period.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as ‘minority’ interests) either at fair value or at the non-controlling interests’ share of recognised identifiable net assets of the acquiree.
- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.
- HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.
- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The impact of adoption of HKFRS 3 (as revised in 2008) on the acquisition during the current period has been related to the acquisition-related costs. It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised these costs as an expense in profit or loss, whereas previously they would have been accounted as part of the cost of the acquisition. The acquisition costs in the current period were insignificant.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendments)	Classification of Rights Issues ⁴
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁵
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ⁶
HKFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets ⁶
HKFRS 9	Financial Instruments ⁷
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 January 2011

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

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 July 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

The directors of the Company has commenced their assessments of the impact of the above new and revised HKFRSs but it is not yet in a position to state whether these new and revised HKFRSs, would have a material impact on the results and the financial position of the Group.

4. BASIS OF PREPARATION AND CONSOLIDATION

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. In addition, the 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 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 confirm with current year’s presentation.

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 judgment in the process of applying the Group's accounting policies.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the Group made up to 31 December each year.

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

All significant intercompany transactions, balances and unrealised gains on transactions are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

5. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

For management purposes, the Group is currently engaged in three operating divisions, namely (i) infrared consultancy services; (ii) artist management; and (iii) film production. Two operations (distribution and service apartment operations) were discontinued in the current year (Note 11). The segmentations are based on the information about the operations of the Group that management uses to make decisions.

Principal activities are as follows:

- | | |
|------------------------------------|---|
| (i) Infrared consultancy services: | Providing infrared thermal imaging and thermograph solutions and consultancy services |
| (ii) Artist management: | Service income from provision of artist management |
| (iii) Film production: | Income from provision of film right |
| (iv) Distribution: | Distribution of high-end apparel and accessories |
| (v) Service apartment operations: | Property rental income |

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Continuing operations								Discontinued operations							
	Infrared		Artist management		Film production		Sub-total		Distribution		Service		Sub-total		Consolidated	
	consultancy service										apartment operations					
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover:																
Sales to external customers	419	—	21,371	7,198	—	—	21,790	7,198	—	8,801	—	8,224	—	17,025	21,790	24,223
Segment results	(3,877)	—	(483)	(2,307)	(7,450)	(1,441)	(11,810)	(3,748)	8,014	(23,592)	5,461	(16,826)	13,475	(40,418)	1,665	(44,166)
Unallocated other revenue and income							868	456					74,590	155,251	75,458	155,707
Unallocated expenses							(120,080)	(14,235)					—	(83,711)	(120,080)	(97,946)
(Loss)/profit from operating activities							(131,022)	(17,527)					88,065	31,122	(42,957)	13,595
Finance costs							(5,939)	(10,197)					(7)	(11,683)	(5,946)	(21,880)
(Loss)/profit before tax							(136,961)	(27,724)					88,058	19,439	(48,903)	(8,285)
Tax (charge)/credit							(5)	553					(3,545)	33,831	(3,550)	34,384
(Loss)/profit for the year							(136,966)	(27,171)					84,513	53,270	(52,453)	26,099

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Segment results represents the (loss)/profit (suffered)/earned by each segment without allocation of central administration cost including directors' emolument, other gains or losses, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	Continuing operations								Discontinued operations							
	Infrared		Artist management		Film production		Sub-total		Distribution		Service		Sub-total		Consolidated	
	consultancy service										apartment operations					
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Segment assets	15,089	—	17,428	12,353	32,587	9,753	65,104	22,106	—	531	—	498,535	—	499,066	65,104	521,172
Unallocated assets							72,960	73,055					—	1	72,960	73,056
Total assets							138,064	95,161					—	499,067	138,064	594,228
Segment liabilities	504	—	14,869	11,314	—	2,330	15,373	13,644	—	18,924	—	286,142	—	305,066	15,373	318,710
Unallocated liabilities							6,993	3,675					—	96,463	6,993	100,138
Total liabilities							22,366	17,319					—	401,529	22,366	418,848

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than other financial assets and current and deferred tax assets. Goodwill is allocated to reportable segments. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segment; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, other financial liabilities, borrowing, and convertible loan notes. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

(c) Other segment information

	Continuing operations								Discontinued operations							
	Infrared consultancy service		Artist management		Film production		Sub-total		Distribution		Service apartment operations		Sub-total		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	28	—	42	85	215	67	285	152	—	316	1,658	9,890	1,658	10,206	1,943	10,358
Write-off of property, plant and equipment	—	—	—	—	—	—	—	—	—	763	—	7,774	—	8,537	—	8,537
Capital expenditure	—	—	—	—	—	—	—	—	—	9	1,980	15,334	1,980	15,343	1,980	15,343
Impairment loss recognised in respect of intangible assets	—	—	—	—	6,783	—	6,783	—	—	—	—	—	—	—	6,783	—
Impairment loss recognised in respect of goodwill	3,844	—	—	—	—	—	3,844	—	—	55	—	—	—	55	3,844	55
	<u>3,844</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,844</u>	<u>—</u>	<u>—</u>	<u>55</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>55</u>	<u>3,844</u>	<u>55</u>

(d) Geographical information

The Group operates in two principal geographical areas — the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong.

The Group's revenue from external customers and information about its non-current assets* by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
The PRC	18,584	6,002	—	—
Hong Kong	3,012	250	15,579	9,203
Others	194	946	—	—
	21,790	7,198	15,579	9,203
Discontinued operations				
The PRC	—	8,224	—	125,340
Hong Kong	—	8,801	—	61
	—	17,025	—	125,401
Total	21,790	24,223	15,579	134,604

* Non-current assets excluded financial instruments.

(e) Information about major customer

Included in revenue arising from artist management of approximately HK\$21,371,000 (2009: HK\$7,198,000) are revenues of approximately HK\$7,168,000 (2009: HK\$2,347,000) which arose from service provided to Group's two major customers (the artist management segment). No other single customers contributed 10% or more to the Group's revenue for both 2010 and 2009.

6. TURNOVER

Turnover represents the net amounts received and receivables from goods sold to customers, after allowances for returns and trade discounts where applicable and services rendered. All significant intra-group transactions have been eliminated on consolidation.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Continuing operations		
Artist management services	21,371	7,198
Infrared consultancy services	419	—
	<u>21,790</u>	<u>7,198</u>
Discontinued operations		
Distribution of high-end apparel and accessories	—	8,801
Rental income	—	8,224
	<u>—</u>	<u>17,025</u>
Total	<u><u>21,790</u></u>	<u><u>24,223</u></u>

7. OTHER OPERATING EXPENSES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Continuing operations		
Loss on early redemption of convertible loan notes	44,653	2,638
Loss on early redemption of promissory note	64,253	—
Impairment loss recognised in respect of intangible assets	6,783	—
Impairment loss recognised in respect of goodwill	3,844	—
	<u>119,533</u>	<u>2,638</u>
Discontinued operations		
Loss on disposal of jointly controlled entities	—	346
Impairment loss recognised in respect of goodwill	—	55
Impairment loss recognised in respect of amount due from jointly controlled entities	—	30,892
Loss on disposal of property, plant and equipment	—	122
Loss arising on change in fair value of investment properties	—	52,395
Loss arising on change in fair values of financial assets at fair value through profit or loss	—	351
	<u>—</u>	<u>84,161</u>
Total	<u><u>119,533</u></u>	<u><u>86,799</u></u>

8. FINANCE COSTS

	2010 HK\$'000	2009 HK\$'000
Continuing operations		
Effective interest expenses on convertible loan notes	2,023	4,318
Effective interest expenses on promissory note	3,916	5,879
	<u>5,939</u>	<u>10,197</u>
Discontinued operations		
Interest on bank loans and overdrafts wholly repayable within five years	1	11,639
Interest on finance leases	6	44
	<u>7</u>	<u>11,683</u>
Total	<u><u>5,946</u></u>	<u><u>21,880</u></u>

9. LOSS BEFORE TAX

	2010 HK\$'000	2009 HK\$'000
Continuing operations		
Auditors' remuneration	550	450
Depreciation of property, plant and equipment	285	152
Minimum lease payments under operating leases on land and buildings	828	—
Staff costs (excluding directors' remuneration)		
Salaries and allowance	2,719	2,036
Equity-settled share option expenses	2,953	1,002
Pension scheme contributions	59	124
	<u><u>59</u></u>	<u><u>124</u></u>
Discontinued operations		
Cost of inventories sold	—	4,697
Depreciation of property, plant and equipment	1,658	10,206
Minimum lease payments under operating leases on land and buildings	11	5,510
Provision for litigation claims arising on early termination of license agreement	—	13,439
Staff costs (excluding directors' remuneration)		
Salaries and allowance	1,180	6,516
Pension scheme contributions	37	216
	<u><u>37</u></u>	<u><u>216</u></u>

10. TAX CHARGE/(CREDIT)

	2010 HK\$'000	2009 HK\$'000
Continuing operations		
Current tax		
Hong Kong Profit Tax	5	—
Deferred tax	<u>—</u>	<u>(553)</u>
	<u>5</u>	<u>(553)</u>

The standard Hong Kong profits tax rate is 16.5% for both years.

11. 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. The comparative information of the discontinued operations has been re-presented to include those operations classified as discontinued in the current year.

	2010 HK\$'000	2009 HK\$'000
Profit for the year from discontinued operations		
Turnover	—	17,025
Cost of sales	—	(8,108)
Gross profit	—	8,917
Other revenue	1,991	1,221
Other income	20,302	155,227
Selling and distribution costs	—	(342)
Administrative expenses	(8,818)	(49,740)
Other operating expenses	—	(84,161)
Finance costs	(7)	(11,683)
Profit before tax	13,468	19,439
Tax (charge)/credit	(3,545)	33,831
	9,923	53,270
Gain on disposal of the Mega Shell Group	64,568	—
Gain on disposal of the Amazing Goal Group	10,022	—
Attributable tax charge	—	—
Profit for the year from discontinued operations	<u>84,513</u>	<u>53,270</u>

12. DIVIDEND

	2010 HK\$'000	2009 HK\$'000
Special dividends for 2009 paid on 25 May 2010 of HK\$0.12 per share (2008: Nil)	<u>40,232</u>	—

The directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2010 (2009: Nil).

13. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year as adjusted for the effect of share consolidation.

From continuing and discontinued operations

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

	2010 HK\$'000	2009 HK\$'000 (restated)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company for the purposes of basic and diluted (loss)/earnings per share	<u>(52,453)</u>	<u>26,099</u>
	2010 '000	2009 '000 (restated)
Number of shares		
Weighted average number of ordinary share for the purposes of basic and diluted (loss)/earnings per share	<u>345,323</u>	<u>68,746*</u>

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	2010 HK\$'000	2009 HK\$'000 (restated)
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(136,966)</u>	<u>(27,171)</u>

The denominators used are the same as these detailed above of both basis and diluted loss per share.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations are HK24.47 cents per share (2009: HK77.49 cents), based on the profit for the year from the discontinued operations of approximately HK\$84,513,000 (2009: HK\$53,270,000) and the denominators used are the same as those detailed above.

* The weighted average number of ordinary share for the year ended 31 December 2009 was adjusted retrospectively to reflect the effect of share consolidation in 2010.

For the year ended 31 December 2010 and 2009, diluted (loss)/earnings per share was not presented because the exercise of share option and conversion of all outstanding convertible loan notes would have anti-dilutive effects.

14. TRADE RECEIVABLES

An aged analysis of the Group's trade receivables at the end of the reporting period is as follow:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 – 90 days	911	186,716
91 – 180 days	40	—
181 – 365 days	488	—
	<u>1,439</u>	<u>186,716</u>
Impairment loss recognised	<u>—</u>	<u>—</u>
	<u>1,439</u>	<u>186,716</u>

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Deposits	53,861	9,055
Prepayments	290	2,167
Other receivables	125	2,189
	<u>54,276</u>	<u>13,411</u>

At 31 December 2010, deposits amounted to HK\$40,000,000 represented the deposits paid for acquisition of Sinofocus Media (Holdings) Limited announced by the Company on 1 December 2010.

16. TRADE PAYABLES

An aged analysis of the Group's trade payables at the end of the reporting period is as follow:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 – 90 days	4	197
91 – 180 days	159	—
181 – 365 days	162	—
	<u>325</u>	<u>197</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For continuing operations, turnover of the Group was HK\$21.8 million for the year ended 31 December 2010, of which HK\$21.4 million (2009: HK\$7.2 million) and HK\$0.4 million (2009: 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 202.7% as compared with the year ended 31 December 2009.

The gross profit margin was increased to 23.4% from 20.1% in 2009. The reason for the increase was that the gross profit margin for the artist management services provided in the PRC is relatively higher than that in other region.

Administrative expenses increased by 1.9% to HK\$17.7 million from HK\$17.4 million in prior year. Such increase was mainly attributed to the increase in equity-settled share option expenses during the year.

Other operating expenses increased by 4,431.2% to HK\$119.5 million from HK\$2.6 million in prior year. Such increase was attributed to (i) the loss on early redemption of convertible loan notes of HK\$44.6 million; (ii) the loss on early redemption of promissory note of HK\$64.3 million (iii) the impairment loss recognised in respect of intangible asset of a film right of HK\$6.8 million; and (iv) the impairment loss recognised in respect of goodwill of HK\$3.8 million which mainly represented the increase in fair value of the consideration shares issued on the completion date of the acquisition of a subsidiary during the year.

Finance costs decreased by 41.8% to HK\$5.9 million from HK\$10.2 million in 2009. Early redemption of convertible loan notes and promissory note resulted in the decrease of effective interest expenses on these financial instruments incurred during the year.

Following the disposal of a subsidiary and a jointly controlled entity during the year, the service apartment operations and the operation relating to the distribution of high-end apparel and accessories were classified as discontinued operations for financial statement purpose. The combined profit of the discontinued operations was HK\$84.5 million (2009: HK\$53.3 million) which was mainly due to the reversal of provision for loss on early termination of license agreement and exchange gain in an aggregate of HK\$8.4 million contributed by the distribution of high-end apparel and accessories segment and gain on the disposal of a subsidiary and a jointly controlled entity of totalling HK\$74.6 million recorded during the year, while the combined profit of the discontinued operations in prior year was mainly contributed by the service apartment operations segment in relation to the gain from a bargain purchase of a subsidiary of HK\$105.4 million.

Loss attributable to owners of the Company was HK\$52.5 million (2009: profit attributable to owners of the Company HK\$26.1 million). The deterioration in results was mainly attributed to the combined effect of the increase in other operating expenses to HK\$119.5 million in the current year and the non-recurrence of one-off gain of the reversal of deferred tax liabilities of HK\$48.1 million relating to the disposal of part of the investment properties of the Group recorded in last year.

Business Review

Artist Management

During the year under review, the revenue contributed by such segment was HK\$21.4 million (2009: HK\$7.2 million) and the gross profit margin was 22.6% (2009: 20.1%). The performance of the provision of artist management services business was in line with the management's expectation. Most of the revenue in such segment was derived from the PRC. The gross profit margin for the services provided in the PRC is relatively higher than that in other region.

Film Distribution and Production

The Group did not have any addition of film rights during the year. No revenue was recorded in such segment for the year ended 31 December 2010 (2009: Nil).

On 8 December 2010, the Company, China Star Entertainment (BVI) Limited ("China Star (BVI)"), a wholly-owned subsidiary of China Star Entertainment Limited ("China Star"), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange and China Star Film Group Limited (the "JV Company") entered into a joint venture agreement (the "Joint Venture Agreement") relating to the formation of the JV Company, which is engaged in production and distribution of films. The JV Company shall be owned as to 50% by China Star (BVI) and as to 50% by the Company. Upon completion, each of China Star (BVI) and the Company shall contribute HK\$30 million to the JV Company. The transaction constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. The transaction had been completed on 7 January 2011. The Directors believed that the formation of the JV Company will allow the Group to capitalise on the China Star's Group's resources for developing its film business and improving its profitability.

Provision of Infrared Thermal Imaging and Thermography Solutions and Consultancy Services

On 16 July 2010, Premium Dignity Investment Limited (the "Purchaser"), a wholly-owned subsidiary of the Company and independent third parties (the "Vendors") entered into a sale and purchase agreement (the "Acquisition Agreement"), pursuant to which the Purchaser agreed to acquire from the Vendors the entire issued share capital of Infrared Engineering & Consultants Limited (the "Target Company") and the aggregate outstanding shareholders' loans owing by the Target Company to the Vendors as at the date of completion at a consideration of HK\$14.5 million (the "Purchase Price"). The Purchase Price shall be satisfied by the Company issuing 59,183,672 new shares at an issue price of HK\$0.245 per new share under the general mandate.

Upon completion, the Target Company shall become a wholly-owned subsidiary of the Company. The Target Company is principally engaged in providing infrared thermal imaging and thermography solutions and consultancy services. The acquisition constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. The transaction had been completed on 9 August 2010. Revenue of HK\$0.4 million was contributed by this segment and the gross profit margin was 62.1%.

Service Apartment Operations

On 8 February 2010, the Company entered into a disposal agreement (the “Disposal Agreement”) with Keen Modern Limited (“Keen Modern”) pursuant to which the Company had conditionally agreed to sell and Keen Modern had conditionally agreed to purchase the entire issued share capital of Mega Shell Services Limited (“Mega Shell”) and the aggregate outstanding shareholders’ loans owing by Mega Shell to the Company for the disposal price of RMB119.57 million (or approximately HK\$136.03 million) (the “Disposal”). The major asset of Mega Shell was the investment properties located at Beijing, the PRC. The Disposal constituted a very substantial disposal on the part of the Company under the Chapter 19 of the GEM Listing Rules and is therefore subject to the shareholders’ approval requirement at the special general meeting. A circular containing the details of the Disposal had been despatched to the shareholders on 5 May 2010. The Disposal was approved by the shareholders’ at the special general meeting held on 24 May 2010 and had been completed on 28 May 2010.

Following the disposal of Mega Shell, the service apartment operations was classified as discontinued operations for financial statement purpose. During the year under review, no revenue was contributed by such segment (2009: HK\$8.2 million).

Distribution

On 13 December 2010, the Company entered into a disposal agreement (the “Disposal Agreement”) with Chung Chiu (PTC) Limited (“Chung Chiu”) pursuant to which the Company had conditionally agreed to sell and Chung Chiu had conditionally agreed to purchase the 50 ordinary shares of US\$1 each in the issued share capital of Amazing Goal International Limited (“Amazing Goal”), representing the 19% of the issued share capital in Amazing Goal and the aggregate outstanding shareholders’ loans owing by Amazing Goal to the Company for the disposal price of HK\$1. The disposal constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. The Directors believed that the disposal will provide the Group with an opportunity to restructure its business operations and allow the Group to focus its resources on the existing businesses of the Group. Upon completion, the Company shall not hold any interest in Amazing Goal and the business of the distribution high-end apparel and accessories was classified as discontinued operations for financial statement purpose. The transaction was completed at the date of Disposal Agreement. No revenue was recorded in such segment during the year (2009: HK\$8.8 million).

Future Plans

Looking forward, following a sharp and broad global downturn in late 2008, the global economy appears to be recovering in 2010. The management is optimistic about the PRC's economic development prospects in the foreseeable future. As the economic growth of the PRC is strong, there is an increasing demand for entertainment. The transaction relating to the formation of the joint venture company for the business of film production and distribution was completed on 7 January 2011. At the date of this report, 2 films are in their pre-production phases and these films are expected to be released for exhibition in the PRC and Hong Kong. In addition, for the artist management business, the Group will place more emphasis on extending the geographical coverage of its artists in the PRC.

Infrared thermal imaging and infrared thermography can be widely applied to different areas including building condition survey, industry safety investigation, security and surveillance and medical. The Directors are of the view that the implementation of the mandatory building inspection scheme proposed by the Government of the HKSAR and the economic growth of the PRC will provide opportunities for the development of such business.

On 16 November 2010, the Company and Media China Corporation Limited (the "Vendor"), a company incorporated in the Cayman Islands with limited liability and its issued shares are listed on the main board of the Stock Exchange entered into a sale and purchase agreement (the "Acquisition Agreement"), pursuant to which the Company agreed to acquire from the Vendor the entire issued share capital (the "Sale Share") of Sinofocus Media (Holdings) Limited (the "Target Company") and the aggregate outstanding shareholders' loans owing by the Target Company to the Vendor (the "Sale Loan") as at the date of completion at a consideration of HK\$82.0 million (the "Purchase Price"). The Purchase Price shall be satisfied by the Company in the manner that (i) deposit of HK\$40.0 million had been paid by the Company to the Vendor upon signing of the Acquisition Agreement; (ii) the balance of HK\$42.0 million shall be payable by the Company to the Vendor upon completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with the terms and conditions of the Acquisition Agreement. Upon completion, the Target Company shall become a wholly-owned subsidiary of the Company. The Target Company, together with its subsidiaries (the "Target Group") is principally engaged in providing of services in respect of television advertising in the PRC. The acquisition constituted a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the shareholders' approval requirement at the special general meeting. A circular containing the details of the transaction will be despatched to the shareholders. The Directors are of the view that the transaction will enable the Group to diversify its business and broaden its revenue base, which will have a positive impact on the Group's profitability given the positive outlook of the PRC advertising industry and will assist the Group to develop its existing artist management services and film production businesses. At the date of this report, the transaction has not yet been completed.

Liquidity and Financial Resources

At 31 December 2010, the Group had total assets of HK\$138.1 million (2009: HK\$594.2 million), including cash and bank balances of HK\$66.8 million (2009: HK\$230.5 million). The decrease in cash and bank balances was mainly attributed to the early redemption of convertible loan notes and promissory note and the distribution of special dividend during the year.

During the year under review, the Group financed its operation with internally generated cash flows, the proceeds from the disposal of a subsidiary and the proceeds from the issuance of new shares.

Capital Structure

Save as disclosed below, there was no change with capital structure of the Group at 31 December 2010 as compared with that at 31 December 2009.

(a) Share consolidation and capital reorganisation

Pursuant to the resolutions passed on 15 January 2010, capital reorganisation (the “First Capital Reorganisation”) had been effected by way of comprising (i) share consolidation that every five shares of HK\$0.01 each in the issued share capital of the Company be consolidated into one consolidated share of HK\$0.05 each (“Consolidated Shares”); (ii) capital reduction that the par value of all issued Consolidated Shares from HK\$0.05 each to HK\$0.01 each by canceling the paid-up capital to the extent of HK\$0.04 on each issued Consolidated Share; and (iii) the transfer of the credit of HK\$5,410,642.17 arising from the capital reduction of all issued Consolidated Shares to the contributed surplus account of the Company for the purpose to offset against the accumulated losses permitted by the laws of Bermuda and the bye-laws of the Company. The First Capital Reorganisation had been completed on 18 January 2010.

On 19 April 2010, a circular was despatched to the shareholders of the Company relating to capital reorganisation (the “Second Capital Reorganisation”) that (i) the proposed reduction of the entire amount standing the credit of the share premium account of the Company; (ii) the proposed transfer the entire amount standing to the credit of the share premium account of the Company to the contributed surplus account of the Company; and (iii) the proposed application of the amount of HK\$212,283,009.22 from the contributed surplus account of the Company to offset against the accumulated losses of the Company. The Second Capital Reorganisation is conditional upon the shareholders’ approval and compliance with the relevant procedures and requirements under the GEM Listing Rules and Bermuda laws. The Second Capital Reorganisation had been completed on 20 May 2010.

(b) *Placing of new shares*

On 7 December 2009, the Company entered into a placing agreement with the placing agent, pursuant to which, the Company had conditionally agreed to place, through the placing agent, 200,000,000 placing shares by tranches provided that the number of placing shares for each tranche is in integral multiples of 50,000,000, on a fully written basis, to not fewer than six places at a price of HK\$0.3 per placing place share. A circular containing the details of the placing had been despatched to the shareholders on 23 December 2009. The placing had been approved by the shareholders at the special general meeting held on 15 January 2010. Each of the first and second tranche placing of 100,000,000 placing shares was completed on 25 January 2010 and 5 February 2010 respectively.

On 16 December 2010, the Company entered into a placing agreement with the placing agent, pursuant to which, the Company had conditionally agreed to place, through the placing agent, on a best effort basis, up to 84,000,000 placing shares under general mandate to not fewer than six places at a price of HK\$0.255 per placing share. The placing of 84,000,000 placing shares had been completed on 30 December 2010.

- (c) On 9 August 2010, 59,183,672 consideration shares were issued in relation to the acquisition of a subsidiary.
- (d) During the year ended 31 December 2010, certain option holders exercised their option rights to subscribe for an aggregate of 6,300,000 shares at an exercise price of HK\$0.202 per share and an aggregate of 19,300,000 shares at an exercise price of HK\$0.325 per share. The proceeds from the exercise of option rights amounted to HK\$7.5 million.
- (e) During the year, bank borrowing amounting to HK\$0.1 million, convertible loan notes in an aggregate principal amount of HK\$160 million and promissory note in the principal amount of HK\$100 million were fully repaid by the Group.
- (f) On 23 December 2010, 1,600,000 new shares were issued in respect of the conversion of convertible loan note in the principal amount of HK\$0.8 million at a conversion price of HK\$0.5 per share.

At 31 December 2010, the total borrowings of the Group amounted to HK\$4.3 million (2009: HK\$211.6 million), comprising the liability component of HK\$4.3 million in respect of the convertible loan note 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 16.2% (2009: 70.5%). The improvement in gearing ratio was mainly contributed by the early redemption of convertible loan notes and promissory note during the year.

Charge on the Group's Assets

At 31 December 2010, the Group did not have any charge on its assets.

Foreign Exchange Risk

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 arise.

Commitments

At 31 December 2010, save as (i) the commitment for capital contribution in relation to the formation of a joint venture company of HK\$29.0 million and (ii) the balance of the purchase price in relation to the acquisition of a subsidiary of HK\$42.0 million, the Group had no commitments (2009: Nil).

Contingent Liabilities

At 31 December 2010, the Group had no contingent liabilities (2009: Nil).

Employees

At 31 December 2010, 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 share option scheme.

Significant Investment

The Group did not hold any significant investment during the year ended 31 December 2010.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as the acquisition and disposal as disclosed in the “Business Review” and “Future Plans” under the “Management Discussion and Analysis” section, the Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies for the year ended 31 December 2010.

Future Plan for Material Investments and Capital Assets

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

Change of Company Name and Stock Short Name

On 14 June 2010, the Company proposed that the name of the Company be changed from “China Star Film Group Limited” to “KH Investment Holdings Limited” and upon the change of name have becoming effective, the new Chinese name “嘉滙投資控股有限公司” will be adopted to replace “中國星電影集團有限公司” for identification purposes only. The proposed change of Company name is subject to (a) the passing of a special resolution by the shareholders at the special general meeting; and (b) the Registrar of Companies in Bermuda granting approval for the proposed change in name of the Company. A circular containing the details of the proposed change of Company name was despatched to the shareholders on 21 June 2010. The proposed change of the Company name was approved by the shareholders’ at the special general meeting held on 14 July 2010. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in Bermuda on 22 July 2010 and the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 16 August 2010.

The trading of the shares of the Company on the Stock Exchange under the new stock short name of “KH INV HOLD” in English and “嘉滙投資控股” in Chinese was effective on 26 August 2010.

Purchase, Sale or Redemption of Shares

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprises the three independent non-executive directors namely, Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng. During the year, the audit committee held four meetings to review the Group’s annual report, interim report and quarterly reports.

The audit committee has reviewed the annual results of the Company for the year ended 31 December 2010.

Corporate Governance Practices

Save as disclosed below, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 December 2010:

- (a) 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) 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.

By Order of the Board
KH Investment Holdings Limited
Lai Hok Lim
Chairman

Hong Kong, 18 March 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 7 days from the date of publication and on the Company's website at www.golife.com.hk.