



# KH INVESTMENT HOLDINGS LIMITED

*(formerly known as China Star Film Group Limited)*

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

(Stock Code: 8172)

## Third Quarterly Report

# 2010



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

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*This report, 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 Growth Enterprise Market 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 report 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 report misleading.*

## UNAUDITED QUARTERLY RESULTS

The board of directors (the “Board”) of KH Investment Holdings Limited (formerly known as “China Star Film Group Limited”) (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2010, together with the comparative unaudited figures for 2009 as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended		For the nine months ended	
		30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000 (Restated)	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000 (Restated)
<b>Continuing operations</b>					
Turnover	3	5,828	1,834	18,431	10,037
Cost of sales		(4,565)	(1,255)	(14,262)	(5,813)
Gross profit		1,263	579	4,169	4,224
Other revenue and income	4	(579)	118,882	65,732	119,103
Selling and distribution costs		—	(12)	—	(363)
Administrative expenses		(685)	(3,525)	(14,607)	(18,881)
Other operating expenses	5	—	(99,977)	(108,906)	(101,743)
Finance costs	6	(152)	(2,638)	(5,792)	(5,964)
(Loss)/profit before tax	7	(153)	13,309	(59,404)	(3,624)
Tax credit	8	—	—	235	—
(Loss)/profit for the period from continuing operations		(153)	13,309	(59,169)	(3,624)

	Notes	For the three months ended		For the nine months ended	
		30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000 (Restated)	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000 (Restated)
<b>Discontinued operations</b>	9				
Profit/(loss) for the period from discontinued operations		–	(17,206)	1,916	2,123
<b>Loss attributable to owners of the Company</b>		(153)	(3,897)	(57,253)	(1,501)
<b>Dividend</b>					
– Special dividend		–	–	40,232	–
<b>(Loss)/earnings per share</b>	10				
From continuing and discontinued operations					
– Basic and diluted		HK(0.04) cent	HK(3.15) cents	HK(17.61) cents	HK(3.08) cents
From continuing operations					
– Basic and diluted		HK(0.04) cent	HK10.76 cents	HK(18.20) cents	HK(7.43) cents
From discontinued operations					
– Basic and diluted		–	HK(13.91) cents	HK0.59 cent	HK4.35 cents

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	For the three months ended		For the nine months ended	
	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000
<b>Loss for the period</b>	<b>(153)</b>	(3,897)	<b>(57,253)</b>	(1,501)
<b>Other comprehensive (expense)/income for the period</b>				
Exchange differences on translation of foreign operations during the period	—	(503)	<b>(6,068)</b>	118
<b>Total comprehensive loss for the period</b>	<b>(153)</b>	(4,400)	<b>(63,321)</b>	(1,383)
<b>Total comprehensive loss attributable to owners of the Company</b>	<b>(153)</b>	(4,400)	<b>(63,321)</b>	(1,383)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

KH Investment Holdings Limited (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 Company’s principal activity has not changed during the period and consisted of investment holding. The principal activity of its subsidiaries is provision of artists management services, film production and film distribution, the provision of infrared thermal imaging and thermography solutions and consultancy services and investment in jointly controlled entity which is principally engaged in the distribution of high-end apparel and accessories.

### 2. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), including the Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the unaudited condensed consolidated financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”). They have been prepared under the historical cost convention.

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 2009.

In the nine months ended 30 September 2010, the Group had applied for the first time, a number of revised HKFRSs issued by HKICPA, which are effective for financial year beginning on 1 January 2010. The adoption of these new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32	Classification of Right Issue <sup>2</sup>
HK(IFIC) – Int 14 (Amendments)	Prepayments of a minimum funding requirement <sup>4</sup>
HK(IFIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>
HKFRS 7 (Revised)	Disclosures – Transfers of Financial Assets <sup>5</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

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

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

### 3. Turnover

	For the three months ended		For the nine months ended	
	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000
<b>Continuing operations</b>				
Distribution of high-end apparel and accessories	–	1,834	–	10,037
Artists management services	5,799	–	18,402	–
Infrared consultancy services	29	–	29	–
	5,828	1,834	18,431	10,037
<b>Discontinued operations</b>				
Rental income	–	4,292	–	7,912
<b>Total</b>	<b>5,828</b>	<b>6,126</b>	<b>18,431</b>	<b>17,949</b>

#### 4. Other revenue and income

	For the three months ended		For the nine months ended	
	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000
<b>Continuing operations</b>				
Bank interest income	44	3	74	21
Discount on acquisition	—	456	—	456
Gain on deemed disposal of a jointly controlled entity	—	118,202	—	118,202
Gain on disposal of fixed assets	—	—	89	66
Gain on disposal of a subsidiary	—	—	64,568	—
Management services income	(648)	216	—	231
Sundries income	25	5	1,001	127
	(579)	118,882	65,732	119,103
<b>Discontinued operations</b>				
Bank interest income	—	70	91	580
Discount on acquisition	—	—	—	27,666
Sundries income	—	61	1,866	154
	—	131	1,957	28,400
	(579)	119,013	67,689	147,503



## 5. Other operating expenses

	For the three months ended		For the nine months ended	
	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000
Loss on disposal of derivative financial instruments	–	5	–	352
Loss on early redemption of promissory note	–	–	64,252	–
Loss on early redemption of convertible loan notes	–	–	44,654	1,419
Impairment losses on amount due from jointly controlled entities	–	99,972	–	99,972
	–	99,977	108,906	101,743

## 6. Finance costs

	For the three months ended		For the nine months ended	
	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000
<b>Continuing operations</b>				
Effective interest expenses on convertible loan notes	152	2,620	1,869	5,650
Effective interest expenses on promissory note	–	–	3,916	–
Interest on bank loans and overdrafts wholly repayable within five years	–	14	1	287
Interest on finance leases	–	4	6	27
	152	2,638	5,792	5,964
<b>Discontinued operations</b>				
Interest on bank loans and overdrafts wholly repayable within five years	–	6,544	–	11,442
	–	6,544	–	11,442
	152	9,182	5,792	17,406

**7. Loss before tax**

	For the three months ended		For the nine months ended	
	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000
<b>Continuing operations</b>				
Cost of inventories sold	—	302	—	4,860
Depreciation	81	14	270	414
Minimum lease payments under operating leases on land and building	231	343	738	5,585
Staff costs including directors' remuneration (including in administrative expenses only)	959	627	2,957	4,601
Exchange loss, net	—	—	—	960
<b>Discontinued operations</b>				
Depreciation	—	2,780	1,658	4,323
Minimum lease payments under operating leases on land and building	—	20	32	40
Staff costs including directors' remuneration (including in administrative expenses only)	—	2,213	844	5,548

## 8. Tax credit

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses brought forward during the periods (2009: Nil). Taxes on profit assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both periods.

	For the three months ended		For the nine months ended	
	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000
<b>Continuing operations</b>				
Deferred tax	–	–	235	–
	–	–	235	–
<b>Discontinued operations</b>				
Current tax				
PRC Enterprise Income				
Tax	–	(15,215)	–	(15,215)
Deferred tax	–	49,916	(3,545)	49,916
	–	34,701	(3,545)	34,701
	–	34,701	(3,310)	34,701

## 9. Discontinued operations

The results of the businesses of property investment for the period from 1 January 2010 to the date of disposal, which have been included in the unaudited condensed consolidated income statement, were as follows:

	For the three months ended		For the nine months ended	
	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000 (Restated)	30 September 2010 (Unaudited) HK\$'000	30 September 2009 (Unaudited) HK\$'000 (Restated)
Turnover	–	4,292	–	7,912
Cost of sales	–	(1,685)	–	(3,019)
Gross profit	–	2,607	–	4,893
Other revenue and income	–	131	1,957	28,400
Gain/(loss) arising on change in fair values of investment properties	–	(4,740)	11,816	(4,740)
Loss on disposal investment properties	–	(40,150)	–	(40,150)
Administrative expenses	–	(3,211)	(8,312)	(9,539)
Finance costs	–	(6,544)	–	(11,442)
Profit/(loss) before tax	–	(51,907)	5,461	(32,578)
Tax credit	–	34,701	(3,545)	34,701
Profit/(loss) for the period	–	(17,206)	1,916	2,123

## 10. (Loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to owners of the Company for the three months ended 30 September 2010 of approximately HK\$0.2 million (2009: loss attributable to owners of the Company of approximately HK\$3.9 million) and loss attributable to owners of the Company for the nine months ended 30 September 2010 of approximately HK\$57.3 million (2009: loss attributable to owners of the Company of approximately HK\$1.5 million) and on the weighted average of 369,360,995 shares in issue during the three months ended 30 September 2010 (2009: 123,675,464 shares, as adjusted for share consolidation) and the weighted average of 325,144,202 shares in issue during the nine months ended 30 September 2010 (2009: 48,799,502 shares, as adjusted for share consolidation). The comparative figure of basic (loss)/earnings per share for the three months and nine months ended 30 September 2009 had been re-calculated to reflect the share consolidation taken place on 18 January 2010.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as the exercise of share options and conversion of all outstanding convertible loan notes would have anti-dilutive effects.

## 11. Reserves

	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 earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2009, as previously stated	16,446	135,062	–	12,693	98	–	(206,559)	(42,260)
Effect of change in accounting policies	–	–	–	–	–	–	(2,390)	(2,390)
At 1 January 2009, as restated	16,446	135,062	–	12,693	98	–	(208,949)	(44,650)
Redemption of convertible loan notes	–	–	–	(9,639)	–	–	1,789	(7,850)
Issue of convertible loan notes	–	–	–	185,081	–	–	–	185,081
Capital reduction	(22,564)	–	22,564	–	–	–	–	–
Issue of shares, net	12,362	57,043	–	–	–	–	–	69,405
Exchange difference arising on translating foreign operations	–	–	–	–	–	118	–	118
Net loss for the period	–	–	–	–	–	–	(1,501)	(1,501)
Total comprehensive loss for the period	–	–	–	–	–	118	(1,501)	(1,383)
At 30 September 2009	6,244	192,105	22,564	188,135	98	118	(208,661)	200,603
At 1 January 2010	6,763	195,484	22,564	127,648	1,370	(537)	(177,912)	175,980
Extension 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	–	(282,834)	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 payment	–	–	–	–	3,341	–	–	3,341
Release of exchange reserve from the disposal of a subsidiary	–	–	–	–	–	6,605	–	6,605
Issue of new shares from the acquisition of a subsidiary	592	17,755	–	–	–	–	–	18,347
Exchange difference arising on translating foreign operations	–	–	–	–	–	(6,068)	–	(6,068)
Net loss for the period	–	–	–	–	–	–	(57,253)	(57,253)
Total comprehensive loss for the period	–	–	–	–	–	(6,068)	(57,253)	(63,321)
At 30 September 2010	3,944	17,755	28,294	1,900	4,711	–	25,601	82,205

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2010 (2009: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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. Completion shall take place on the third business day (or such other date to be agreed by parties to the Acquisition Agreement) upon the fulfillment of all conditions set out in the Acquisition Agreement. Upon completion, the Target Company will 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 constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. The transaction has been completed on 9 August 2010. Turnover of approximately HK\$0.03 million was contributed by this segment during the period under review.

### Financial Review

For continued operations, revenue of the Group was HK\$18.43 million for the nine months ended 30 September 2010, of which HK\$18.4 million (2009: HK\$10.0 million) and HK\$0.03 million (2009: Nil) was generated from artists management services and infrared consultancy services respectively, representing an increase of approximately 83.6% as compared with the period ended 30 September 2009.

Other revenue and income amounted to approximately HK\$65.7 million, representing a decrease of approximately 44.8% over the same period last year. Such decrease was mainly attributed to a gain on deemed disposal of a jointly controlled entity of approximately HK\$118.2 million recorded in the last corresponding period.

Administrative expenses decreased by 22.6% to approximately HK\$14.6 million from HK\$18.9 million in prior year. Such decrease was mainly contributed by the scale down of the operations in the segment of the distribution of high-end apparel and accessories and the stringent cost control policy adopted by the management.

Other operating expenses amounted to approximately HK\$108.9 million, representing an increase of 7.0% over the same period last year. Such increase was mainly attributed to the early redemption of convertible loan notes and promissory note issued by the Company.

Finance costs decreased by 2.9% to approximately HK\$5.8 million from HK\$6.0 million in prior year. Such decrease was mainly attributed to the decrease in effective interest expenses on the convertible loan notes and promissory note.

Following the disposal of Mega Shell Services Limited of which its principal activity is property investment, the operation relating to property investment is classified as discontinued operation for financial statements purpose. The profit of the discontinued operations is approximately HK\$1.9 million.

Loss attributable to owners of the Company was approximately HK\$57.3 million (2009: loss attributable to owners of the Company of approximately HK\$1.5 million). The deterioration in results was mainly attributed to the decrease of other revenue and income of approximately HK\$53.4 million during the period under review as compared with corresponding period last year.

### **Future Plans**

Following the completion of the acquisition of Infrared Engineering & Consultants Limited on 9 August 2010, the Board believed that the participation in the business of provision of infrared consultancy services will broaden the Group's revenue base. In addition, the Board will take a number of measures to control the overall cost to enhance the operation efficiency of the Group. On the other hand, the Group will continue to seek for new investment opportunities in order to secure a stable source of revenue and diversify the earnings base of the Group.

### **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.



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

At 30 September 2010, 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 Hong Kong Securities and Futures Ordinance ("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 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 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 ( <i>Note 1</i> )	1,248,000	2,100,000	3,348,000	1.00%
Mr. Wong Chi Chiu ( <i>Note 2</i> )	—	3,350,000	3,350,000	1.00%

#### Notes:

- Mr. Lai Hok Lim, an executive Director, is deemed to be interested in 2,100,000 shares which would fall to be issued upon exercise of the 2,100,000 share options. Adding the 1,248,000 shares owned in his personal capacity, Mr. Lai Hok Lim is deemed to be interested in 3,348,000 shares.
- Mr. Wong Chi Chiu is deemed to be interested in 3,350,000 shares which would fall to be issued upon exercise of the 3,350,000 share options. Mr. Wong Chi Chiu resigned as an executive Director on 1 November 2010.

## 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 2009.

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 1/1/2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30/9/2010
3/9/2009	Employees	HK\$0.455 (Note 1)	3/9/2009 to 2/9/2010	1,248,000 (Note 1)	–	–	(1,248,000)	–	–
	Consultants	HK\$0.455 (Note 1)	3/9/2009 to 2/9/2010	3,344,000 (Note 1)	–	–	(3,344,000)	–	–
13/11/2009	Employees	HK\$0.500 (Note 1)	13/11/2009 to 12/11/2010	1,248,000 (Note 1)	–	–	–	–	1,248,000
18/5/2010	Consultants	HK\$0.202	18/5/2010 to 17/5/2011	–	8,400,000	–	–	–	8,400,000
2/6/2010	Directors	HK\$0.325	2/6/2010 to 1/6/2011	–	5,450,000	–	–	–	5,450,000
	Employees	HK\$0.325	2/6/2010 to 1/6/2011	–	2,100,000	–	–	–	2,100,000
	Consultants	HK\$0.325	2/6/2010 to 1/6/2011	–	23,900,000	–	–	–	23,900,000
				5,840,000	39,850,000	–	(4,592,000)	–	41,098,000

Note:

- (1) The exercise prices and number of share options have been adjusted due to the completion of the share consolidation on 18 January 2010.

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

Save as disclosed above, at 30 September 2010, 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 September 2010, 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 position 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
Galaxy Asset Management (H.K) Limited	Beneficial owner	74,590,000	—	74,590,000	18.91%
UBS AG	Beneficial owner	50,330,000	—	50,330,000	12.76%
Ko Wing Hong	Beneficial owner	29,591,836	—	29,591,836	7.50%
Yuen Po Cheung	Beneficial owner	29,591,836	—	29,591,836	7.50%
Ruan Yuan	Beneficial owner	23,000,000	—	23,000,000	5.83%
Deutsche Bank Aktiengesellschaft	Beneficial owner	22,260,000	—	22,260,000	5.64%

Save as disclosed above, at 30 September 2010, 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 September 2010, none of the Directors nor the management shareholders and substantial shareholders, or their respective associates had an interest in any business which competes or may compete with the business of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2010.

## 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 nine months ended 30 September 2010.

### a. **Chairman and Chief Executive Officer**

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separated 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 nine months ended 30 September 2010, 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, all the 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 report and the Company's condensed consolidated financial statements for the nine months ended 30 September 2010 and has provided advice and comments thereon.

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

Hong Kong, 4 November 2010

*As at the date hereof, 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.*