KH INVESTMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8172)

Annual Report 2011

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

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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 report, for which the directors (the "Directors") of KH Investment Holdings Limited (the "Company") collectively and individually accept full 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 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 this report misleading.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Cheng Yang *(Chairman and Chief Executive Officer)*
Kan Yisong
Hui Ching *(Vice President)*
Jiang Di *(Vice President)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yip Tai Him
Law Yiu Sang, Jacky
Chio Chong Meng

COMPANY SECRETARY

Chan Wai CPA (HONG KONG), FCCA

COMPLIANCE OFFICER

Kan Yisong

AUDITORS

HLB Hodgson Impey Cheng

AUTHORISED REPRESENTATIVES

Kan Yisong
Chan Wai CPA (HONG KONG), FCCA

REMUNERATION COMMITTEE

Yip Tai Him *(Committee Chairman)*
Law Yiu Sang, Jacky
Chio Chong Meng

NOMINATION COMMITTEE

Yip Tai Him *(Committee Chairman)*
Law Yiu Sang, Jacky
Chio Chong Meng

AUDIT COMMITTEE

Yip Tai Him *(Committee Chairman)*
Law Yiu Sang, Jacky
Chio Chong Meng

PRINCIPAL BANKER

Hang Seng Bank Limited

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Fred Kan & Co.

As to Bermuda Law
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CORPORATE WEBSITE

http://www.golife.com.hk

GEM STOCK CODE

8172

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Artist Management

During the year under review, the revenue contributed by such segment was approximately HK$44.2 million (2010: approximately HK$21.4 million), representing an increase of approximately 106.5% as compared with the year ended 31 December 2010. The considerable growth of the revenue in such segment was in line with the management's expectation. The gross profit margin decreased to approximately 21.1% from approximately 22.6% in the prior year. The decrease in gross profit margin was because the majority of the revenue in the current year was contributed by the artists who have a relatively lower commission rate of the performance fee charged by the Company and its subsidiaries (the "Group").

Pending Litigation

On 30 May 2011, China Star Management Limited ("CSM"), an indirect wholly-owned subsidiary of the Company, issued a writ of summons against Tang's Workshop Limited ("Tang's Workshop"). CSM claimed to recover the services rendered or work done and material supplied to Tang's Workshop for the sum of HK$127,500. As at 23 March 2012, being the latest practicable date for the purpose of ascertaining certain information in this report, the result of the litigation has not yet been finalised.

Films Distribution and Production

During the year under review, the Group did not have any addition of film rights and revenue of HK$0.1 million was generated from the grant of the film right in relation to the broadcasting of the film "Written By" through the media of regional television and regional internet in the worldwide market. The gross profit margin was approximately 84.7%. 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 presently in the pre-production phase.

Provision of Infrared Thermal Imaging and Thermography Solutions and Consultancy Services

During the year under review, the revenue contributed by such segment was approximately HK$0.4 million (2010: approximately HK$0.4 million) and was mainly derived from the infrared consultancy services and leasing equipments. The gross profit margin was approximately 51.5% (2010: approximately 62.1%). The decrease in gross profit margin was because the revenue in the current year was contributed by the infrared consultancy services which has lower gross profit margin. Due to the uncertain business environment in the PRC market, an impairment loss of HK$10.9 million in respect of the intangible assets was recognised in the current year as a result of the scale-down of the business operations in the PRC market.

FINANCIAL REVIEW

Revenue of the Group was approximately HK$44.7 million for the year ended 31 December 2011 (2010: approximately HK$21.8 million), of which approximately HK$44.2 million (2010: approximately HK$21.4 million), HK$0.1 million (2010: Nil) and approximately HK$0.4 million (2010: approximately HK$0.4 million) was generated from provision of artist management, films distribution and production and provision of infrared thermal imaging and thermography solutions and consultancy services respectively, representing an increase of approximately 105.3% as compared with the year ended 31 December 2010.

Administrative expenses decreased by approximately 31.1% to approximately HK$12.2 million from approximately HK$17.7 million in prior year. Such decrease was mainly contributed by the decrease in legal and professional fees and equity-settled share option expenses during the year under review.

Other operating expenses was approximately HK$17.3 million for the year ended 31 December 2011 which was mainly attributed to an impairment loss recognised in respect of goodwill, deposits to artist and films in progress of approximately HK$10.9 million, approximately HK$5.0 million and approximately HK$1.4 million respectively, and was decreased by approximately 85.5% from approximately HK$119.5 million in prior year. Such decrease was mainly contributed by the non-recurrence of one-off other operating expenses of loss on early redemption of promissory note of approximately HK$64.3 million and convertible loan notes of approximately HK$44.7 million respectively recorded in previous year.

Finance costs decreased by approximately 89.8% to approximately HK$0.6 million from approximately HK$5.9 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 year under review.

During the year under review, loss attributable to owners of the Company was approximately HK$20.3 million (2010: loss attributable to owners of the Company of approximately HK$52.5 million). The improvement in results was mainly contributed by non-recurrence of one-off other operating expenses of loss on early redemption of promissory note and convertible loan notes recorded in the previous year.

New Controlling Shareholder

As disclosed in the announcement dated 16 January 2012 that, on 30 December 2011, New Asia Media Development Limited ("Offeror"), a wholly owned subsidiary of Culture Landmark Investment Limited ("Culture Landmark") (stock code: 674), a company listed on the Main Board of the Stock Exchange, acquired 232,000,000 shares of the Company ("Shares"), from Aikford Financial Services Limited and Splendor Glow Limited (collectively referred as "Vendor") for an aggregate consideration of HK$81.2 million. After the acquisition, the Offeror held in aggregate 379,030,000 Shares, representing approximately 74.96% of the issued share capital and voting rights of the Company, the Offeror was therefore required under Rule 26.1 of the Code on Takeover and Mergers to make unconditional mandatory cash offers to acquire all the issued Shares and all outstanding convertible loan notes, and when the offer period (from 16 January 2012 to 2 March 2012) ("Offer Period") was closed at 4:00 p.m., 2 March 2012, the Offeror was interested in (i) an aggregate of 406,006,016 Shares, representing approximately 80.29% of the issued share capital and voting rights of the Company; and (ii) zero-coupon convertible loan notes due 24 September 2013 ("CLN") with total outstanding principal amount of HK$6,200,000 issued by the Company carrying the right to convert into a total of 12,731,006 Shares at the prevailing conversion price of HK$0.487 per share (subject to adjustment). Culture Landmark and the Offeror is the controlling shareholder of the Company.

On 8 March 2012, the Company was informed by the Offeror that an aggregate of 27,000,000 Shares, representing approximately 5.34% of the issued share capital of the Company, being held by the Offeror had been placed by REORIENT Financial Markets Limited (as the placing agent) to investors who were independent of and not connected persons of the Offeror, Culture Landmark and the Company (the "Placing"). The Placing took place on 8 March 2012. None of the investors was expected to become a substantial shareholder after the Placing.

After the Placing, a total of 126,643,710 Shares, representing approximately 25.05% of the issued share capital of the Company are held by public shareholders.

As at the date of this report, the Offeror is interested in (i) 379,006,016 Shares, representing approximately 74.95% of the issued share capital and voting rights of the Company and (ii) CLN with total principal amount HK$6,200,000 issued by the Company.

Restoration of Public Float

Immediately prior to the Placing, 99,643,710 Shares were held by public shareholders, representing approximately 19.71% of the issued share capital of the Company. The Company has applied and the Stock Exchange has granted a waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules from 2 March 2012 to 30 March 2012.

After the Placing, a total of 126,643,710 Shares, representing approximately 25.05% of the issued share capital of the Company, are held by public shareholders. As a result, the percentage of Shares in the public hands is sufficient to satisfy the requirement set out in Rule 11.23(7) of the GEM Listing Rules.

For details of the above, please refer to our announcements dated 16 January 2012, 2 March 2012 and 8 March 2012 respectively, and our circular dated 10 February 2012.

Appointment of Chairman, Chief Executive Officer and Directors

On 28 September 2011, Mr. Cheng Yang was appointed as chairman of the Board ("Chairman") and an executive director of the Company. On 5 March 2012, Mr. Cheng Yang, the executive director and Chairman of the Company, was also appointed as the Chief Executive Officer of the Company.

On 5 March 2012, Mr. Kan Yisong, Ms. Hui Ching ("Ms. Hui") and Ms. Jiang Di ("Ms. Jiang") were appointed as executive directors of the Company, and Ms. Hui and Ms. Jiang were also appointed as vice presidents of the Company.

For the details of the above appointments, please refer to the announcements dated 28 September 2011 and 5 March 2012.

Proposed Change of Company Name

On 26 March 2012, the directors of the Company announced its proposal to change the English name of the Company from "KH Investment Holdings Limited" to "China Media and Films Holdings Limited" and to adopt the Chinese name "中國傳媒影視控股有限公司" as the secondary name of the Company to replace "嘉滙投資控股有限公司" which has been used by the Company for identification purposes only to reflect the principal activities of the Group.

A circular giving details of the above proposal and incorporating a notice of a general meeting of the Company will be sent to shareholders once it is ready.

Future Plans

With the new controlling shareholder and new members on the board, and more importantly they are all with extensive experience in the media sectors and the management of large corporation, the management of the Company starts to formulate strategies for our future business development and it is their main tasks in the coming year so as to widen the income sources of the Group and maximise the interests of the shareholders.

The management will look for suitable investment opportunities to explore into other business sectors.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had total assets of approximately HK$112.8 million (2010: approximately HK$138.1 million), including cash and bank balances of approximately HK$97.6 (2010: approximately HK$66.8 million). During the year under review, the Group financed its operation with internally generated cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

During the year under review, there was no change in the capital structure of the Company.

GEARING RATIO

The gearing ratio, expressed as percentage of total liabilities over total assets, was approximately 13.3% (2010: approximately 16.2%). The improvement in gearing ratio was mainly contributed by the decrease of (i) the accrual and other payables and (ii) the receipt in advance.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2011, 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 closely monitors the exposures and will consider hedging the exposures should the need arise.

COMMITMENTS

As at 31 December 2011, the Group had no commitments. (2010: as disclosed below)

As at 31 December 2010, the Group has (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.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no contingent liabilities (2010: Nil).

EMPLOYEES

As at 31 December 2011, the Group had 10 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 2011.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies for the year ended 31 December 2011.

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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cheng Yang, aged 48, was appointed as the Chairman and an executive director of the Company on 28 September 2011 and the chief executive officer of the Company on 5 March 2012. He has over 10 years of experience in entertainment and media business. He is the founder and a director of Cheng Films and Video Production Limited (a company incorporated in Hong Kong) which produces and distributes films and television drama series in Greater China. He is also a director of Xinya Media Private Limited, a Singapore-based media asset management company, and its wholly owned subsidiary, Xinya Satellite TV Private Limited, a television broadcaster licensed in Singapore which programs and manages the Xinya Satellite Television Channel and broadcasts the Channel to audience in Asia and the United States of America. Mr. Cheng is the Chairman, an executive director, the chief executive officer and a substantial shareholder of Culture Landmark. As at the date of this report, Culture Landmark is a controlling shareholder of the Company through its wholly owned subsidiary, New Asia Media Development Limited ("New Asia Media"), which holds (i) 379,006,016 Shares, representing approximately 74.95% of its issued share capital; and (ii) zero-coupon convertible loan notes due 24 September 2013 with total outstanding principal amount of HK$6,200,000 issued by the Company carrying the right to convert into a total of 12,731,006 shares of the Company at the prevailing conversion price of HK$0.487 per share (subject to adjustment). He is also a director of New Asia Media. As at the date of the report, to the best knowledge and belief of the Company, Mr. Cheng is personally interested in 1,786,000,000 shares of Culture Landmark, an associated corporation of the Company and is deemed to be interested in 980,000 shares of Culture Landmark held by his wife.

Mr. Kan Yisong, aged 38, was appointed as an executive director of the Company on 5 March 2012, and is also a vice president of Culture Landmark. Mr. Kan joined Culture Landmark in May 2011 and has extensive experience in exhibition and advertising business. Prior to joining Culture Landmark, Mr. Kan was a director and a general manager in a subsidiary of China Resources (Holdings) Company Limited. Mr. Kan has a Bachelor degree in Engineering from the Xi'an Jiaotong University and a Master degree in Business Administration from the Hong Kong Polytechnic University.

Ms. Hui Ching, aged 34, was appointed as an executive director and a Vice President of the Company on 5 March 2012. She was a vice president of Culture Landmark. Ms. Hui joined Culture Landmark in July 2010 and was primarily responsible for cultural project management and investment and has extensive experience in media and arts business. Ms. Hui has a Bachelor degree in Language and Communication from the Hong Kong Polytechnic University and a Master degree in World Economy from Fudan University. As at the date of the report, to the best knowledge and belief of the Company, Ms. Hui is personally interested in 648,000 shares of Culture Landmark, an associated corporation of the Company.

Ms. Jiang Di, aged 46, was appointed as an executive director and a Vice President of the Company on 5 March 2012. She was the Financial Controller of 深圳市文地多媒體技術有限公司 (Shenzhen Wendi Multimedia Technology Company Limited), a wholly-owned subsidiary of Culture Landmark, and was responsible for the finance function in Greater China. Ms. Jiang joined Culture Landmark in November 2011 and has extensive experience in finance, audit and taxation functions. Prior to joining Culture Landmark, Ms. Jiang was the Financial Controller of Hainan Bojin Cultural Investment Company Limited.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yip Tai Him, aged 41, has over 16 years of experience in auditing, accounting and corporate finance. He is a member of the Institute of Chartered Accountants in England and Wales, Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Yip is currently an independent non-executive director of Wing Lee Holdings Limited, China Communication Telecom Services Company Limited, iOne Holdings Limited, GCL-Poly Energy Holdings Limited and Vinco Financial Group Limited, all of which are listed on the Stock Exchange. Mr. Yip was appointed as an independent non-executive director of the Company on 13 December 2008.

Mr. Law Yiu Sang, Jacky, aged 47, holds a bachelor of laws degree from Manchester Metropolitan University. He is a member of the Hong Kong Institute of Arbitrators. From 2006 to 2007, Mr. Law was a member of The Chartered Institute of Arbitrator. Mr. Law has previously worked in a number of different law firms and has over 18 years' experience in assisting in management and legal documentation. Mr. Law was appointed as an independent non-executive director of the Company on 13 December 2008.

Ms. Chio Chong Meng, aged 41, holds a bachelor of arts degree from York University in Canada. She has worked with a reputable hotel chain in Macau for a number of years and acquired extensive hotel management experience in the area of sales, finance and business support. She is now the general manager of a hotel in Macau. Ms. Chio was appointed as an independent non-executive director of the Company on 1 January 2009.

SENIOR MANAGEMENT

Mr. Chan Wai, aged 42, is the company secretary and chief financial officer of the Company and joined the Group in October 2011. He holds a Master degree in Professional Accounting awarded from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and Institute of Chartered Accountants in England & Wales. He has over 18 years of experience in accounting field. He has worked for an international accounting firm and listed companies in Hong Kong.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2011.

The Stock Exchange issued the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the GEM Listing Rules which sets out corporate governance principles ("Principles") and code provisions ("Code Provisions") with which listed issuers are expected to follow and comply.

The Company has applied the Principles as set out in the CG Code that are considered to be relevant to the Company and has complied with most of the Code Provisions set out in the CG Code save for certain deviations, details of which will be explained in the relevant paragraphs in this report.

Good corporate governance has always been recognised as vital to the Group's success and to sustain development of the Group. The Company acknowledges the important role of its Board in providing effective leadership and direction to company business, and ensuring transparency and accountability of company operations. The Company also endeavors to periodically review its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transaction, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

Composition

As at 31 December 2011, the Board comprises eight Directors: including four executive Directors, namely, Mr. Cheng Yang ("Mr. Cheng"), Mr. Kwok Wai Kin, Kenneth ("Mr. Kwok"), Mr. Kenneth Ng Kwai Kai, Mr. Leung So Po, Kelvin, and one non-executive director, Mr. Fan Tung, Donald and three independent non-executive Directors, namely, Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky, and Ms. Chio Chong Meng. Except Mr. Cheng, all the other executive directors and non-executive director had resigned on 5 March 2012. In addition, on 5 March 2012, Mr. Kan Yisong, Ms. Hui Ching ("Ms. Hui") and Ms. Jiang Di ("Ms. Jiang") were appointed as executive directors of the Company, and Ms. Hui and Ms. Jiang were also appointed as vice presidents of the Company.

One of the independent non-executive directors has appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors is more than one-third of the Board. Biographical details of the Chairman and other directors are set out in the section of Profiles of Directors and Senior Management on page 7.

The directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. All the directors give sufficient time and attention to the Company's affairs. The Board believes that the ratio of executive to non-executive directors is reasonable and adequate to provide checks and balances that safeguard the interest of the shareholders and the Company as a whole.

The Board as a whole is responsible for the appointment of new directors and directors nomination for re-election by shareholders at the annual general meeting of the Company. Under the Company's bye-laws, the Board may from time to time appoint a director either to fill a vacancy or as an addition to the Board. Any new director appointed to fill a casual vacancy shall hold office until the first general meeting after his appointment and shall then be eligible for re-election at the next following annual general meeting. Any new director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

INDEPENDENCE

The Company has three independent non-executive directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. The Company considers these directors to be independent under the guidelines set out in Rule 5.09 of the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at 31 December 2011, the roles of chairman and chief executive officer are separate and are not be performed by the same individual since Mr. Cheng assumes the role of the chairman and Mr. Kwok serves as chief executive officer. However, after the resignation of Mr. Kwok for the position as the executive director and chief executive officer of the Company and the appointment of Mr. Cheng to be the chief executive officer of the Company on 5 March 2012, the roles of chairman and chief executive officer has been performed by the same individual. 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 has been performed by Mr. Cheng. 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.

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 once every three years 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.

BOARD MEETINGS

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. At least 7 business days' notice of regular Board meeting are given to all directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Apart from regular meetings, senior management from time to time provides directors information on activities and development of the businesses of the Group. The company secretary takes detailed minutes of the meetings and keeps records of matters discussed and decision resolved at the meetings.

During the year ended 31 December 2011, 14 board meetings were held. Details of the attendance of the directors at the meetings of the Board and its respective committees are as follows:

Name of Director	Board Meeting Attended/Eligible to attend	Audit Committee Attended/Eligible to attend	Remuneration Committee Attended/Eligible to attend
Mr. Cheng Yang	3/14	N/A	N/A
Mr. Lai Hok Lim *(Resigned on 12 December 2011)*	14/14	N/A	1/1
Mr. Kwok Wai Kin, Kenneth	2/14	N/A	N/A
Mr. Ng Kwai Kai, Kenneth	4/14	N/A	1/1
Mr. Leung So Po, Kelvin	4/14	N/A	N/A
Mr. Fan Tung, Donald	4/14	1/4	N/A
Mr. Yip Tai Him	14/14	4/4	1/1
Mr. Law Yiu Sang, Jacky	5/14	2/4	1/1
Ms. Chio Chong Meng	9/14	4/4	1/1

REMUNERATION COMMITTEE

A remuneration committee was formed with specific written terms of reference. The remuneration committee is responsible for reviewing and developing the remuneration polices of the directors and senior management. As at 31 December 2011, the remuneration committee consists of all three Independent non-executive Directors and an executive Director, namely, Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky, Ms. Chio Chong Meng and Mr. Ng Kwai Kai, Kenneth.

During the year under review, the remuneration committee held 1 meeting to determine the remuneration package for the executive Directors, non-executive Directors and independent non-executive Directors.

NOMINATION COMMITTEE

As at 31 December 2011, the Company had not established a nomination committee. The appointment of new director(s) is therefore a matter to be considered and decided by the Board. In considering the nomination of a new director or where vacancies in the Board exist, the Board will take into account the skills, qualification, working experience, professional knowledge, leadership and personal integrity of the candidates.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. Rule 5.28 of the GEM Listing Rules requires that the audit committee must comprise a minimum of three members with a majority of independent non-executive directors and at least one member must have appropriate professional qualifications or accounting or related financial management expertise.

The main duties of the audit committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the compliance officer or external auditors before submission to the board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The audit committee held four meetings during the year ended 31 December 2011, to review the financial results and reports, financial reporting and compliance procedures, report on the company's internal control and risk management review and processes as well as the re-appointment of the external auditors.

There is no material uncertainty relating to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2011 has been reviewed by the audit committee.

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

AUDITORS' REMUNERATION

For the year ended 31 December 2011, the remuneration in respect of audit services provided by the auditors, HLB Hodgson Impey Cheng, amounted to HK$550,000. For non-audit services, the fees paid amounted to HK$850,948 (2010: Nil)

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in rules 5.48 to 5.67 to the GEM Listing Rules as its own code of conduct for dealings in securities of the Company by Directors (the "Model Code"). The Company, having made specific enquiry of all Directors, confirms that its Directors have complied with the required standard set out in the Model Code during the financial year ended 31 December 2011.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meeting are contained in the Company's bye-laws. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of annual general meeting in 2011 and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The chairman of the Board attended the annual general meeting in 2011 to answer questions at the meeting.

Separate resolutions were proposed at the annual general meeting in 2011 on each substantial issue, including the election of individual directors.

CONCLUSION

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The management will devote considerable effort to strengthen and improve the standards of the corporate governance of the Group.

REPORT OF THE DIRECTORS

The directors present the report of the directors and the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Details of the activities of its subsidiaries are set out in note 46 to the consolidated financial statements.

An analysis of the Group's turnover for the year by geographic segment is set out in note 7 to the consolidated financial statement.

RESULTS AND APPROPRIATIONS

The results of the Group for year ended 31 December 2011 are set out in the consolidated income statement on page 23 of this annual report.

The directors do not recommend the payment of any final dividend in respect of the year.

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 84 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in notes 32 and 33 to the consolidated financial statements respectively.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year are set out on page 27 of this annual report and in note 35 to the consolidated financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONVERTIBLE LOAN NOTES

Details of the movements in convertible loan notes during the year are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2011 amounting to HK$71,341,000 (2010: HK$75,804,000).

CHARITABLE DONATIONS

The Group did not make any charitable donations during the year (2010: Nil).

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 45 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the board of the Company, as at 26 March 2012, being the latest practicable date prior to printing of this report, the Company has maintained a sufficient public float.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Cheng Yang	(appointed on 28 September 2011)
Mr. Kan Yisong	(appointed on 5 March 2012)
Ms. Hui Ching	(appointed on 5 March 2012)
Ms. Jiang Di	(appointed on 5 March 2012)
Mr. Lai Hok Lim	(resigned on 12 December 2011)
Mr. Kwok Wai Kin, Kenneth	(appointed on 3 October 2011and resigned on 5 March 2012)
Mr. Leung So Po, Kelvin	(appointed on 14 September 2011 and resigned on 5 March 2012)
Mr. Ng Kwai Kai, Kenneth	(appointed on 14 September 2011 and resigned on 5 March 2012)

Non-Executive Director

Mr. Fan Tung, Donald	(appointed on 14 September 2011 and resigned on 5 March 2012)

Independent Non-Executive Directors

Mr. Yip Tai Him
Mr. Law Yiu Sang, Jacky
Ms. Chio Chong Meng

In accordance with article 87(1) of the Company's bye-laws, Ms. Chio Chong Meng would retire and, being eligible, offer themselves for re-election, and in accordance with Articles 86(2) of the Company's bye-laws, Mr. Cheng Yang, Mr. Kan Yisong, Ms. Hui Ching and Ms. Jiang Di will also retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

On 5 March 2012, each of Ms. Hui Ching and Ms. Jiang Di entered into a service contract with the Company in respect of their positions as Vice Presidents of the Company. Such service contracts have no fixed terms but are determinable by either party by giving three months' written notice to the other party.

Save as disclosed above, none of the director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2011, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and 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 Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of the Associated Corporation

Name of Associated Corporation	Name of Director	Class of Share held	Capacity	Number of Shares held (Approximate percentage of the issued shares as at 31 December 2011)
Culture Landmark	Cheng Yang	Ordinary	Personal interest	1,786,000,000 (14.91%)
	Cheng Yang	Ordinary	Family interest	980,000 (0.00%)

Save as disclosed above, as at 31 December 2011, none of the director, or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Division 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 were required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 33 to the consolidated financial statements.

EMPLOYEE AWARD PLAN

Particulars of the Company's employee award plan are set out in note 34 to the consolidated financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes and employee award plan disclosed in note 33 and note 34 to the consolidated financial statements respectively, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in Note 39 to the financial statements on related-party transactions, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

As at 31 December 2011, none of the director, the substantial shareholder nor their respective associate had an interest in any business which competes or may compete with the business of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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	Interest of controlled corporation *(Note 1)*	397,030,000	—	397,030,000	74.96%
New Asia Media	Beneficial owner *(Note 1)*	397,030,000	—	397,030,000	74.96%
Mr. Lo Yuk Sui ("Mr. Lo")	Interest of controlled corporation *(Note 2)*	35,247,161	—	35,247,161	6.97%
Secure Way Technology Limited ("Secure Way")	Interest of controlled corporation *(Note 2)*	35,247,161	—	35,247,161	6.97%
Net Community Limited ("Net Community")	Interest of controlled corporation *(Note 3)*	35,247,161	—	35,247,161	6.97%
Century Digital Holdings Limited ("Century Digital")	Interest of controlled corporation *(Note 4)*	35,247,161	—	35,247,161	6.97%

Name of shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Percentage of the Company's issued share capital
Grand Modern Investments Limited ("Grand Modern")	Interest of controlled corporation *(Note 5)*	35,247,161	—	35,247,161	6.97%
Century City International Holdings Limited ("Century City International")	Interest of controlled corporation *(Note 6)*	35,247,161	—	35,247,161	6.97%
Century City BVI Holdings Limited ("Century City BVI")	Interest of controlled corporation *(Note 7)*	35,247,161	—	35,247,161	6.97%
Century City Holdings Limited ("Century City Holdings")	Interest of controlled corporation *(Note 8)*	35,247,161	—	35,247,161	6.97%
Aikford Financial Services Limited ("Aikford")	Beneficial owner *(Note 9)*	35,247,161	—	35,247,161	6.97%

Notes:

(1) New Asia Media, a wholly and beneficially owned company of Culture Landmark (listed on the Main Board of the Stock Exchange), is the beneficial owner of 397,030,000 shares of the Company. The Chairman and Chief Executive Officer of the Company, Mr. Cheng Yang, is also the chairman, chief executive officer and executive director of Culture Landmark.

(2) Secure Way is wholly and beneficially owned by Mr. Lo Yuk Sui.

(3) Net Community is wholly and beneficially owned by Secure Way.

(4) Century Digital is wholly and beneficially owned by Net Community.

(5) Grand Modern is wholly and beneficially owned by Century Digital.

(6) Grand Modern owns 50.38% interest in Century City International, a company listed on the Main Board of the Stock Exchange.

(7) Century City BVI is wholly and beneficially owned by Century City International.

(8) Century City Holdings is wholly and beneficially owned by Century City BVI.

(9) Aikford is the beneficial owner of 35,247,161 shares of the Company and is wholly and beneficially owned by Century City Holdings.

Save as disclosed above, as at 31 December 2011, the Company has not been notified by any persons (other than the directors and chief executive 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.

RETIREMENT BENEFITS SCHEME

Particulars of the retirement benefits scheme of the Group are set out in note 17 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales

—	the largest customer	11.41%
—	five largest customers combined	37.58%

Purchases

—	the largest supplier	34.79%
—	five largest suppliers combined	78.49%

At no time during the year did the directors, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major customers or suppliers noted above.

CONNECTED TRANSACTIONS

During the year ended 31 December 2011, there were no connected transactions or continuing connected transactions under the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements thereunder. The related party transactions set out in note 39(a)(v) & (vi) to the consolidated financial statements of the Company constituted connected transactions but are exempted from the reporting, announcement and independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

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. As at 31 December 2011, the audit committee comprises three independent non-executive directors and a non-executive Director, namely, Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky, Ms. Chio Chong Meng and Mr. Fan Tung, Donald ("Mr. Fan"). During the year, the audit committee held four meetings to review the Group's annual report, interim report and quarterly reports.

On 5 March 2012, Mr. Fan resigned as a member of audit committee and non-executive director of the Company.

REMUNERATION COMMITTEE

A remuneration committee has been established with written terms of reference. As at 31 December 2011, the remuneration committee comprises three independent non-executive directors, namely, Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng and one executive director, namely, Mr. Ng Kwai Kai, Kenneth ("Mr. Ng"). The principal responsibilities of the remuneration committee include recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management, the determination of specific remuneration packages of all executive directors and senior managements, and review and approve performance-based remuneration. During the year, the remuneration committee held one meeting.

On 5 March 2012, Mr. Ng resigned as a member of remuneration committee and executive director of the Company.

NOMINATION COMMITTEE

A nomination committee has been established by the Board with written terms of reference with effect from 26 March 2012. The members of the nomination committee shall comprise such directors of the Company appointed by the Board. The Board has appointed Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng as members of the nomination committee and Mr. Yip Tai Him has been appointed as the chairman of the nomination committee.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive directors to be independent.

AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cheng Yang
Chairman and Chief Executive Officer

Hong Kong, 26 March 2012

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
KH INVESTMENT HOLDINGS LIMITED
(orginally incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of KH Investment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 83, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 26 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	6	**44,740**	21,790
Cost of sales		**(35,126)**	(16,694)
Gross profit		**9,614**	5,096
Other revenue	8	**206**	292
Other income	9	**13**	836
Administrative expenses		**(12,173)**	(17,713)
Other operating expenses	10	**(17,307)**	(119,533)
Finance costs	11	**(604)**	(5,939)
Loss before tax	12	**(20,251)**	(136,961)
Tax expense	13	**—**	(5)
Loss for the year from continuing operations		**(20,251)**	(136,966)
Discontinued operations	14		
Profit for the year from discontinued operations		**—**	84,513
Loss attributable to owners of the Company		**(20,251)**	(52,453)
(Loss)/earning per share	16		
From continuing and discontinued operations			
Basic and diluted		**HK(4.00) cents**	HK(15.19) cents
From continuing operations			
Basic and diluted		**HK(4.00) cents**	HK(39.66) cents
From discontinued operations			
Basic and diluted		**N/A**	HK24.47 cents

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Loss for the year	**(20,251)**	(52,453)
Other comprehensive income		
Exchange differences arising on translation of foreign operations during the year	**—**	(6,068)
Total comprehensive loss for the year	**(20,251)**	(58,521)
Total comprehensive loss attributable to owners of the Company	**(20,251)**	(58,521)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	18	364	204
Film rights and films in progress	20	1,601	1,175
Goodwill	21	3,280	14,200
Total non-current assets		5,245	15,579
Current assets			
Trade receivables	23	1,300	1,439
Deposits, prepayments and other receivables	24	8,706	54,276
Cash and bank balances	25	97,558	66,770
Total current assets		107,564	122,485
Current liabilities			
Bank overdraft	25	—	32
Trade payables	26	11	325
Accruals and other payables	27	3,740	9,213
Receipts in advance	28	6,251	8,370
Tax payable		—	78
Total current liabilities		10,002	18,018
Net current assets		97,562	104,467
Total assets less current liabilities		102,807	120,046
Non-current liability			
Convertible loan notes	30	4,951	4,348
Total non-current liability		4,951	4,348
Net assets		97,856	115,698
Equity			
Issued capital	32	5,056	5,056
Reserves		92,800	110,642
Total equity		97,856	115,698

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2012 and signed on its behalf by:

Cheng Yang
Chairman and Chief Executive Officer

Kan Yisong
Director

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 *HK$'000*	2010 *HK$'000*
Non-current assets			
Property, plant and equipment	18	206	—
Investments in subsidiaries	22	—	1,000
Total non-current assets		206	1,000
Current assets			
Deposits, prepayments and other receivables	24	215	40,215
Amounts due from subsidiaries	22	66,709	64,945
Cash and bank balances	25	65,052	32,745
Total current assets		131,976	137,905
Current liability			
Accruals and other payables		1,070	2,566
Net current assets		130,906	135,339
Total assets less current liability		131,112	136,339
Non-current liability			
Convertible loan notes	30	4,951	4,348
Total non-current liability		4,951	4,348
Net assets		126,161	131,991
Equity			
Issued capital	32	5,056	5,056
Reserves	35	121,105	126,935
Total equity		126,161	131,991

The financial statements were approved and authorised for issue by the board of directors on 26 March 2012 and signed on its behalf by:

Cheng Yang
Chairman and Chief Executive Officer

Kan Yisong
Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible loan notes reserve HK$'000	Share-based payments reserve HK$'000	Exchange reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At 1 January 2010	6,763	195,484	22,564	127,648	1,370	(537)	(177,912)	175,380
Net loss for the year	—	—	—	—	—	—	(52,453)	(52,453)
Other comprehensive loss for the year	—	—	—	—	—	(6,068)	—	(6,068)
Total comprehensive loss 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 options	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 *(Note 15)*	—	—	(40,232)	—	—	—	—	(40,232)
At 31 December 2010 and 1 January 2011	5,056	47,383	28,294	2,381	1,367	—	31,217	115,698
Net loss for the year	—	—	—	—	—	—	(20,251)	(20,251)
Other comprehensive loss for the year	—	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	—	(20,251)	(20,251)
Recognition of equity-settled share-based payments	—	—	—	—	2,409	—	—	2,409
Lapsed of share options	—	—	—	—	(3,776)	—	3,776	—
At 31 December 2011	5,056	47,383	28,294	2,381	—	—	14,742	97,856

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Loss before tax from continuing operations	**(20,251)**	(136,961)
Profit before tax from discontinued operations	**—**	88,058
	(20,251)	(48,903)
Adjustments for:		
Finance costs	**604**	5,946
Interest income	**(107)**	(186)
Depreciation of property, plant and equipment	**81**	1,943
Loss on disposal of property, plant and equipment	**—**	(102)
Impairment loss recognised in respect of film rights and films in progress	**1,390**	6,783
Impairment loss recognised in respect of goodwill	**10,920**	3,844
Impairment loss recognised in respect of deposits to artist	**4,997**	—
Gain on change in fair value of investment properties	**—**	(11,817)
Gain on period extension in convertible loan notes	**—**	(823)
Loss on early redemption of convertible notes	**—**	44,653
Loss on early redemption of promissory note	**—**	64,253
Reversal of provision for loss on early termination of licence agreement	**—**	(7,361)
Reversal of impairment in respect of film rights and films in progress	**(13)**	—
Equity-settled share option expenses	**2,409**	3,468
Gain on disposal of subsidiaries	**—**	(64,568)
Gain on disposal of jointly controlled entities	**—**	(10,022)
Operating cash flow before movements in working capital	**30**	(12,892)
Decrease in trade receivables	**139**	185,528
Decrease/(Increase) in deposits, prepayments and other receivables	**40,573**	(42,109)
Decrease in financial assets at fair value through profit or loss	**—**	1
Increase in film rights and films in progress	**(1,803)**	—
(Decrease)/increase in trade payables	**(314)**	109
Decrease in accruals and other payables	**(5,473)**	(27,538)
(Decrease)/increase in receipts in advance	**(2,119)**	5,230
Cash from operations	**31,033**	108,329
Interest received	**107**	186
Hong Kong profits tax paid	**(78)**	—
Net cash from operating activities	**31,062**	108,515

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 *HK$'000*	2010 *HK$'000*
Investing activities		
Acquisition of subsidiary	—	(51)
Purchases of items of property, plant and equipment	(241)	(1,980)
Proceeds on disposal of property, plant and equipment	—	1,150
Proceeds on disposal of subsidiaries	—	104,125
Proceeds on disposal of jointly controlled entities	—	(634)
Net cash (used in)/from investing activities	(241)	102,610
Financing activities		
Interest paid	(1)	(7)
Proceeds from placing of new shares	—	79,577
Proceeds from issue of new shares upon exercise of share options	—	7,545
Redemption of promissory note	—	(100,000)
Redemption of convertible loan notes	—	(160,000)
Repayment of bank loans	—	(83)
Repayment of amount due to a shareholder	—	(155,535)
Repayment of capital element of finance leases	—	(47)
Dividend paid to owners of the Company	—	(40,232)
Net cash used in financing activities	(1)	(368,782)
Net increase/(decrease) in cash and cash equivalents	30,820	(157,657)
Cash and cash equivalents at beginning of year	66,738	230,463
Effect of foreign exchange rate changes	—	(6,068)
Cash and cash equivalents at end of year	97,558	66,738
Analysis of balances of cash and cash equivalents		
Cash and bank balances	97,558	66,770
Bank overdraft	—	(32)
	97,558	66,738

The accompanying notes form an integral part of these 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. Its parent is New Asia Media Development Limited ("New Asia Media") (incorporated in the British Virgin Islands) and its ultimate parent is Culture Landmark Investment Limited ("Culture Landmark") (incorporated in Bermuda). 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 and jointly controlled entities are set out in Notes 46 and 36 respectively.

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 2011. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKFRS 1 (Amendments)	Amendment to First-time Adoption of Hong Kong Financial Reporting Standards
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) — Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs Issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised) and the amendment to HKAS 1 included in improvements to HKFRSs 2010, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principle effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 39 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(b) *Improvement to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs.

There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendment most applicable to the Group are as follows:

HKAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the note to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

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

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[2]
HKAS 19 (Revised)	Employee Benefits[3]
HKAS 27 (Revised)	Separate Financial Statements[3]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[3]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets[5]
	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangement[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date and Transition Disclosures[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 July 2011
6 Effective for annual periods beginning on or after 1 January 2015

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

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.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Changes in the Group's ownership interest in existing subsidiaries *(continued)*

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsdiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 and HKAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the acquisition.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39). The Group's share of each of assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Artist management income and infrared consultancy service income are recognised when the services are provided.

Income from licencing of distribution rights over films is recognised when the Group's entitlement to such payments has been established when the notice of delivery is served to the customer.

Deposits received from purchases prior to meeting the above criteria for revenue recognition are included in consolidated statement of financial position under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslated of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of foreign currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes managed by the Mandatory Provident Fund Scheme ("MPF") are recognised as expenses when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

For grants of share options that are conditional upon specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payments reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve.

For share options that are vested immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except that when an item of property, plant and equipment is classified as held for sale, which is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms or 20%
Furniture and equipment	20% — 25%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each end of the reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the asset.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination and are recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported with indefinite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Film rights and films in progress

Film rights

Film rights are stated at cost less accumulated amortisation and impairment losses. Upon the release of the pre-recorded audio visual products and the materials, film rights are amortised at rates calculated to write off the costs in proportion to the expected revenue from exhibition and distribution of audio visual products. Such rates are on a systematic basis, with reference to the projected revenue and the underlying licence periods, and are subject to annual review by the management.

Films in progress

Films in progress are stated at cost less any provision for impairment losses. Costs include all direct costs associated with the production of films. Provision are made for costs which are in excess of the expected future revenue generated by these films. Costs of films are transferred to film rights upon completion.

At the end of each reporting period, both internal and external market information are considered to assess whether there is any indication that film rights and films in progress are impaired. If any such indication exists, the carrying amount of such assets is assessed and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated income statement.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions *(continued)*

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial liabilities.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment loss of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

Equity instruments

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

Other financial liabilities

Other financial liabilities including trade payables, accrual and other payables and bank overdraft are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Convertible loan notes

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

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

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

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Related parties

A party is considered to be related to the Group if:

(a) The party, is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) The party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) one entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Segment reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations. For disclosure purpose, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics and nature of the regulatory environment, or single operating segments which are disclosable separately because they cannot be aggregated or they exceed quantitative thresholds.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the relevant assets, after taking into account their estimated residual value, if any. The Group reviews the estimated useful life of the asset annually in order to determine the amount of depreciation expenses to be recorded during the year. The useful life is based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates. During the year, the Group determined that the useful life of the property, plant and equipment should be remained constant to that of prior years. Depreciation expense is approximately HK$81,000 (2010: HK$1,943,000) for the year ended 31 December 2011.

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments or services. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(c) Impairment of film rights and films in progress

Impairment assessments on film rights and films in progress are performed at the end of each reporting period with reference to both internal and external market information, for example, sales forecast based on expected popularity of the respective titles, the expected production, sales and distribution costs to be reviewed to conclude the sales, and the general economic condition of the relevant markets. As at 31 December 2011, the carrying value of film rights and films in progress amounted to HK$1,601,000 (2010: HK$1,175,000). Changes in assumptions used in this assessment, including the forecasted revenue, may result in additional provision being made in the consolidated financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(d) Impairment of goodwill

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flows estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of goodwill with indefinite useful life are approximately HK$3,280,000 (2010: HK$14,200,000). Detail of the recoverable amount calculation is disclosed in note 21.

6. TURNOVER

Turnover represents the net amounts received and receivables from customers, after allowances for returns and trade discounts where applicable and services rendered.

	2011	2010
	HK$'000	*HK$'000*
Artist management	**44,230**	21,371
Infrared consultancy services	**410**	419
Film distribution	**100**	—
	44,740	21,790

7. 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) films production and distribution. 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)	Films production and distribution:	Investment in, production of, sale and distribution of films

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.

7. SEGMENT INFORMATION *(continued)*

(a) Segment revenue and results

	Continuing operations								Discontinued operations							
	Infrared consultancy services		Artist management		Films production and distribution		Sub-total		Distribution		Service apartment operation		Sub-total		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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*
Turnover:																
Sales to external customers	410	419	44,230	21,371	100	–	44,740	21,790	–	–	–	–	–	–	44,740	21,790
Segment results	(11,415)	(3,877)	1,264	(483)	(1,255)	(7,450)	(11,406)	(11,810)	–	8,014	–	5,461	–	13,475	(11,406)	1,665
Unallocated other revenue and income							12	868					–	74,590	12	75,458
Unallocated expenses							(8,253)	(120,080)					–	–	(8,253)	(120,080)
(Loss)/profit from operating activities							(19,647)	(131,022)					–	88,065	(19,647)	(42,957)
Finance costs							(604)	(5,939)					–	(7)	(604)	(5,946)
(Loss)/profit before tax							(20,251)	(136,961)					–	88,058	(20,251)	(48,903)
Tax expense							–	(5)					–	(3,545)	–	(3,550)
(Loss)/profit for the year							(20,251)	(136,966)					–	84,513	(20,251)	(52,453)

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

Segment results represent 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.

7. SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

	Infrared consultancy services		Artist management		Films production and distribution		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	4,083	15,089	9,976	17,428	28,320	32,587	42,379	65,104
Unallocated assets							70,430	72,960
Total assets							112,809	138,064
Segment liabilities	773	504	8,153	14,869	6	—	8,932	15,373
Unallocated liabilities							6,021	6,993
Total liabilities							14,953	22,366

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

all assets are allocated to reportable segments other than deposit for investment, and unallocated head office and corporate assets as these assets are managed on a group basis. Goodwill is allocated to reportable segments as described in Note 21; and

all liabilities are allocated to reportable segments other than current and deferred tax liabilities, convertible loan notes, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(c) Other segment information

	Continuing operation								Discontinued operation							
	Infrared consultancy services		Artist management		Films production and distribution		Sub-total		Distribution		Service apartment operation		Sub-total		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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	66	28	4	42	11	215	81	285	–	–	–	1,658	–	1,658	81	1,943
Additional to non-current assets	–	–	24	–	2,020	–	2,044	–	–	–	–	1,980	–	1,980	2,044	1,980
Impairment loss recognised in respect of film rights and films in progress	–	–	–	–	1,390	6,783	1,390	6,783	–	–	–	–	–	–	1,390	6,783
Impairment loss recognised in respect of goodwill	10,920	3,844	–	–	–	–	10,920	3,844	–	–	–	–	–	–	10,920	3,844
Impairment loss recognised in respect of deposits to artist	–	–	4,997	–	–	–	4,997	–	–	–	–	–	–	–	4,997	–
Reversal of impairment loss recognised in respect of film rights and films in progress	–	–	–	–	13	–	13	–	–	–	–	–	–	–	13	–

7. SEGMENT INFORMATION *(continued)*

(d) Geographical information

In determing the Group's geographical information, revenue information is based on the location of the customers, and asset information is based on the location of the assets.

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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
The PRC	**39,942**	18,584	**—**	—
Hong Kong	**3,826**	3,012	**5,245**	15,579
Others	**972**	194	**—**	—
Total	**44,740**	21,790	**5,245**	15,579

(e) Information about major customer

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011	2010
	HK$'000	*HK$'000*
Artist Management		
Customer A	**5,106**	—
Customer B	**4,904**	—
Customer C	**N/A[1]**	4,205
Customer D	**—**	2,963

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group.

8. OTHER REVENUE

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**107**	96
Sundry income	**99**	196
	206	292
Discontinued operations		
Bank interest income	**—**	90
Sundry income	**—**	1,901
	—	1,991
Total	**206**	2,283

9. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Gain on disposal of property, plant and equipment	**—**	13
Gain on period extension in convertible loan notes period	**—**	823
Reversal of impairment loss recognised in respect of film rights and films in progress	**13**	—
	13	836
Discontinued operations		
Reversal of provision for loss on early termination of licence agreement	**—**	7,361
Gain arising on change in fair value of investment properties	**—**	11,817
Exchange gain, net	**—**	1,035
Gain on disposal of property, plant and equipment	**—**	89
	—	20,302
Total	**13**	21,138

10. OTHER OPERATING EXPENSES

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Loss on early redemption of convertible loan notes	**—**	44,653
Loss on early redemption of promissory note	**—**	64,253
Impairment loss recognised in respect of deposits to artist *(Note 24)*	**4,997**	—
Impairment loss recognised in respect of film rights and films in progress *(Note 20)*	**1,390**	6,783
Impairment loss recognised in respect of goodwill *(Note 21)*	**10,920**	3,844
Total	**17,307**	119,533

11. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Effective interest expenses on convertible loan notes	**603**	2,023
Effective interest expenses on promissory note	**—**	3,916
Interest on bank overdrafts	**1**	—
	604	5,939
Discontinued operations		
Interest on bank loans and overdrafts wholly repayable within five years	**—**	1
Interest on finance leases	**—**	6
	—	7
Total	**604**	5,946

12. LOSS BEFORE TAX

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Auditors' remuneration	**550**	550
Depreciation of property, plant and equipment	**81**	285
Minimum lease payments under operating leases on land and buildings	**346**	828
Staff costs (excluding directors' remuneration)		
Salaries and allowance	**3,221**	2,719
Equity-settled share option expenses	**2,214**	2,953
Pension scheme contributions	**55**	59
Discontinued operations		
Depreciation of property, plant and equipment	**—**	1,658
Minimum lease payments under operating leases on land and buildings	**—**	11
Staff costs (excluding directors' remuneration)		
Salaries and allowance	**—**	1,180
Equity-settled share option expenses	**—**	—
Pension scheme contributions	**—**	37

13. TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
Hong Kong Profit Tax	—	5
Deferred tax *(Note 31)*	—	—
	—	5

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

No provision for Hong Kong Profit Tax is made for current year since there is no assessable profit.

The tax charged for the year can be reconciled to the loss per the consolidated income statement is as follows:

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Loss before tax	(20,251)	(136,961)
Tax at the statutory tax rate	(3,341)	(22,599)
Tax effect of expenses not deductible for tax purpose	3,956	43,679
Tax effect of income not taxable for tax purpose	(47)	(23,768)
Tax effect of tax losses not recognised	495	3,079
Tax effect of utilisation of tax losses previously not recognised	(1,063)	(386)
Tax charged for the year	—	5

14. 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 ceased to be subsidiaries of the Company and the business of service apartment operation which was solely carried out by the Mega Shell Group became a discontinued operation of the Group. Details of the assets and liabilities disposed of and the calculation of the profit or loss on disposal are disclosed in Note 38 to the consolidated financial statements.

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 ceased to be jointly controlled entities of the Company and the business of distribution which was solely carried out by the Amazing Goal Group became 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.

	2010 *HK$'000*
Profit for the year from discontinued operations	
Other revenue	1,991
Other income	20,302
Administrative expenses	(8,818)
Finance costs	(7)
Profit before tax	13,468
Tax expense	(3,545)
	9,923
Gain on disposal of the Mega Shell Group	64,568
Gain on disposal of the Amazing Goal Group	10,022
Profit for the year from discontinued operations	84,513
Cash flows from discontinued operations	
Net cash outflows from operating activities	(119,436)
Net cash inflows from investing activities	1,905
Net cash outflows from financing activities	(152)
Net cash outflows	(117,683)

15. DIVIDEND

	2011	2010
	HK$'000	*HK$'000*
Special dividends for 2009 paid on 25 May 2010 of HK$0.12 per share	—	40,232

The directors of the Company do not recommend the payment of any final and special dividend for the year ended 31 December 2011 (2010: HK$40,232,000).

16. (LOSS)/EARNING PER SHARE

The calculation of the basic (loss)/earning per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares.

From continuing and discontinued operations

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

	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	(20,251)	(52,453)

	2011	2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary share for the purposes of basic and diluted loss per share	505,650	345,323

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

	2011	2010
	HK$'000	*HK$'000*
From continuing operations		
Loss attributable to owners of the Company	(20,251)	(136,966)
From discontinued operations		
Profit attributable to owners of the Company	—	84,513

16. (LOSS)/EARNING PER SHARE *(continued)*

The denominators used are the same as those detailed above for both basis and diluted (loss)/earning per share.

For the year ended 31 December 2011 and 2010, diluted (loss)/earning per share was same as basic loss per share because the exercise of share option and conversion of all outstanding convertible loan notes would have anti-dilutive effects.

17. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The emoluments of each director, on a named basis for the years ended 31 December 2011 and 2010 are set out below:

For the year ended 31 December 2011:

	Fees	Salaries and allowances	Retirement scheme contribution	Share option benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lai Hok Lim *(Note 1)*	114	—	—	195	309
Ng Kwai Kai *(Note 2)*	36	—	—	—	36
Leung So Po *(Note 2)*	36	—	—	—	36
Cheng Yang *(Note 3)*	31	—	—	—	31
Kwok Wai Kin *(Note 4)*	29	274	—	—	303
Non-executive director					
Fan Tung *(Note 5)*	36	—	—	—	36
Independent non-executive directors					
Yip Tai Him	120	—	—	—	120
Law Yiu Sang, Jacky	120	—	—	—	120
Chio Chong Meng	120	—	—	—	120
Total	642	274	—	195	1,111

17. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(continued)*

For the year ended 31 December 2010:

	Fees	Salaries and allowances	Retirement scheme contribution	Share option benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lai Hok Lim	120	—	—	198	318
Heung Wah Keung *(Note 6)*	6	—	—	—	6
Wong Chi Chiu *(Note 7)*	554	—	—	317	871
Independent non-executive directors					
Yip Tai Him	120	—	—	—	120
Law Yiu Sang, Jacky	120	—	—	—	120
Chio Chong Meng	120	—	—	—	120
Total	1,040	—	—	515	1,555

Notes:

1. Mr. Lai Hok Lim was resigned as executive director on 12 December 2011.
2. Mr. Ng Kwai Kai and Mr. Leung So Po were appointed as executive director on 14 September 2011.
3. Mr. Cheng Yang was appointed as executive director on 28 September 2011.
4. Mr. Kwok Wai Kin was appointed as executive director on 3 October 2011.
5. Mr. Fan Tung was appointed as non-executive director on 14 September 2011.
6. Mr. Heung Wah Keung was appointed as executive director on 6 August 2009 and resigned on 21 January 2010.
7. Mr. Wong Chi Chiu was appointed as executive director on 25 January 2010 and resigned on 1 November 2010.

Of the five highest paid individuals, two (2010: one) were directors of the Company and remuneration has been disclosed above.

During the year ended 31 December 2011 and 2010, no director waived any emoluments.

17. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(continued)*

Details of the emoluments of the three (2010: four) non-directors, highest paid employees of Group for the year are as follows:

	2011	2010
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	1,990	2,011
Share option benefit	365	92
Retirement benefits scheme contributions	37	36
	2,392	2,139

The number of non-director, highest paid individuals whose remuneration fell within the following bands, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Nil to HK$1,000,000	2	3
HK$1,000,001 – HK$1,500,000	1	—
HK$1,500,001 – HK$2,000,000	—	1

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2010: Nil).

During the year, share options were granted to directors, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 33 to the consolidated financial statements. The fair value of such options, which has been charged to the consolidated income statement, was determined as at the date of the grant and was included in the above non-director, highest paid employees' remuneration disclosures.

Retirement benefit costs

The Group operates a mandatory provident fund scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is defined contribution retirement scheme administrated by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the Scheme vest immediately. At the end of reporting period, there was no forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contribution payable in the future years.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
The Group				
Cost:				
At 1 January 2010	710	7,098	3,323	11,131
Acquisition of a subsidiary	53	222	43	318
Addition	—	1,980	—	1,980
Disposal of subsidiaries	(710)	(9,064)	(1,313)	(11,087)
Disposal of jointly controlled entities	—	—	(307)	(307)
Disposal	—	(2)	(1,288)	(1,290)
At 31 December 2010	53	234	458	745
Addition	—	241	—	241
At 31 December 2011	53	475	458	986
Accumulated depreciation and impairment:				
At 1 January 2010	289	1,764	1,051	3,104
Acquisition of a subsidiary	6	76	5	87
Disposal of subsidiaries	(347)	(3,350)	(347)	(4,044)
Disposal of jointly controlled entities	—	—	(307)	(307)
Disposal	—	(2)	(240)	(242)
Charged for the year	62	1,618	263	1,943
At 31 December 2010	10	106	425	541
Charged for the year	11	58	12	81
At 31 December 2011	21	164	437	622
Net book value:				
At 31 December 2011	**32**	**311**	**21**	**364**
At 31 December 2010	43	128	33	204

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Furniture and equipment *HK$'000*
The Company	
Cost:	
At 1 January 2010, 31 December 2010 and 1 January 2011	—
Addition	217
At 31 December 2011	217
Accumulated depreciation and impairment:	
At 1 January 2010, 31 December 2010 and 1 January 2011	—
Charged for the year	11
At 31 December 2011	11
Net book value:	
At 31 December 2011	206
At 31 December 2010	—

19. INVESTMENT PROPERTIES

	2011 *HK$'000*	2010 *HK$'000*
At 1 January	—	118,619
Gain arising on changes in fair value	—	11,817
Disposal of subsidiary *(Note 38)*	—	(130,436)
At 31 December	—	—

The fair values of the Group's investment properties as at 31 December 2010 have been arrived at on the basis of a valuation carried out on that date by Messrs. Grant Sherman Appraisal Limited, independent qualified professional valuers not connected to the Group. Messrs. Grant Sherman Appraisal Limited is a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties are located in the PRC and are held on long term lease.

20. FILM RIGHTS AND FILMS IN PROGRESS

	Film rights *HK$'000*	Films in progress *HK$'000*	Total *HK$'000*
Cost:			
At 1 January 2010, 31 December 2010 and 1 January 2011	7,958	—	7,958
Addition	—	1,803	1,803
At 31 December 2011	7,958	1,803	9,761
Accumulated amortisation and impairment:			
At January 2010	—	—	—
Impairment loss recognised during the year	6,783	—	6,783
At 31 December 2010 and 1 January 2011	6,783	—	6,783
Impairment loss recognised during the year	—	1,390	1,390
Reversal of impairment loss recognised during the year	(13)	—	(13)
At 31 December 2011	6,770	1,390	8,160
Carrying amount:			
At 31 December 2011	1,188	413	1,601
At 31 December 2010	1,175	—	1,175

Film rights represent self-produced films.

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of film rights and the corresponding recoverable amounts. During the year ended 31 December 2011, the directors of the Company determined that these film rights were reversed the impairment due to prevailing marketability circumstances. The directors assessed the recoverable amounts of the film rights and based on which reversal of impairment loss of HK$13,000 was recognised in the consolidated income statement for the year ended 31 December 2011. The estimated recoverable amounts as at 31 December 2011 and 2010 was determined based on the present value of expected future revenue arising from the distribution and sub-licencing of the film rights and their residual values, which was derived from discounting the projected cash flows by a discount rate of approximately 14.97% (31 December 2010: approximately 15.32%)

Films in progress represent films under production.

In light of the stage of film production, the Group regularly reviewed the progress of film production to assess the cost of film in progress. During the year ended 31 December 2011, the management of the Company decided to suspense the production of one film, and determined that this film in progress was impaired due to prevailing marketability circumstances. The costs for the development and preparation of film in progress of HK$1,390,000 was impaired and recognised in the consolidated income statement for the year ended 31 December 2011 (2010: Nil).

The Group recognised reversal of impairment loss of HK$13,000 in respect of film rights (2010: impairment loss of HK$6,783,000) and impairment loss of HK$1,390,000 in respect of films in progress for the year ended 31 December 2011 (2010: Nil).

21. GOODWILL

The amounts of the goodwill capitalised by the Group as an asset and recognised in the consolidated statement of financial position, arising from the acquisition of a subsidiary and a jointly controlled entity, are as follows:

	2011	2010
	HK$'000	*HK$'000*
Cost:		
At 1 January	18,044	55
Arising from acquisition of a subsidiary *(Note 37)*	—	18,044
Derecognised on disposal of jointly controlled entities	—	(55)
At 31 December	18,044	18,044
Accumulated impairment:		
At 1 January	3,844	55
Impairment losses recognised during the year	10,920	3,844
Derecognised on disposal of jointly controlled entities	—	(55)
At 31 December	14,764	3,844
Carrying amount:		
At 31 December	3,280	14,200

Impairment test of goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units. The carrying amount of goodwill (before recognition of impairment loss) at the end of reporting period was allocated to cash generating units is as follows:

	2011	2010
	HK$'000	*HK$'000*
Infrared consultancy services	18,044	18,044

For the year ended 31 December 2011, the directors of the Company re-assessed the recoverable amount of goodwill allocated to infrared consultancy services business with reference to the valuation performed by Asset Appraisal Limited, an independent firm of professional valuer, and an impairment loss of approximately HK$10,920,000 was recognised.

The recoverable amount of the goodwill allocated to infrared consultancy services business was assessed by reference to value-in-use model which based on a five-year cash flow projection approved by the directors of the Company. A discount rate of 17.76% (2010: 17.71%) per annum was applied in the discounted cash flow method when assessing the recoverability of the cash generating unit.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flow beyond that five-year period have been extrapolated using zero growth rate which is the projected long term average growth rate for the infrared consultancy services market.

Due to the uncertain business environment in the PRC market, an impairment loss of HK$10,920,000 in respect of the goodwill was recognised in the current year (2010: HK$3,844,000) as a result of the scale-down of the business operation in the PRC market.

22. INTERESTS IN SUBSIDIARIES

The Company

	2011	2010
	HK$'000	*HK$'000*
Unlisted shares at cost	—	1,000
Impairment in value	—	—
	—	1,000
Amounts due from subsidiaries	66,709	64,945
	66,709	65,945

Details of the Company's subsidiaries at 31 December 2011 are set out in Note 46 to the consolidated financial statements.

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

23. TRADE RECEIVABLES

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

	2011	2010
	HK$'000	*HK$'000*
0 — 90 days	1,256	911
91 — 180 days	21	40
181 — 365 days	—	488
Over 365 days	23	—
	1,300	1,439
Impairment loss recognised	—	—
	1,300	1,439

Note:

(i) The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers. The Group has no significant concentrations of credit risk, with exposure spreads over a large number of customers. The credit terms of trade receivables are generally on 30 to 180 days.

23. TRADE RECEIVABLES

Note:(Continued)

(ii) Included in the trade receivables balances are debtors with an aggregate carrying amount of approximately HK$23,000 (2010: HK$488,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The aged analysis of trade receivables which are past due but not impaired was as follow:

	2011	2010
	HK$'000	HK$'000
181 – 365 days	—	488
Over 365 days	23	—
	23	488

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Deposits, net of impairment	8,331	53,861	—	40,000
Prepayments	267	290	215	215
Other receivables	108	125	—	—
	8,706	54,276	215	40,215

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

At 31 December 2011, deposits amounted to HK$8,254,717 (2010: HK$13,796,059) represented the advance paid for artist management and film production.

The directors of the Company consider that carrying amounts of deposits for artist management, film production, and other receivables approximate their fair values.

Movements in impairment loss in respect of deposits to artist are as follows:

	2011	2010
	HK$'000	HK$'000
At the beginning of the reporting periods	443	443
Impairment loss in respect of deposits to artist	4,997	—
At the end of the reporting periods	5,440	443

Included in the above impairment loss in respect of deposits is provision for individually impaired receivables of HK$4,997,099 (2010: Nil) with a gross carrying amount of HK$5,439,960 (2010: HK$442,861). The individually impaired deposits related to the portions of deposit paid that were not expected to be recovered.

25. CASH AND BANK BALANCES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances:				
US Dollars	**1**	2	**—**	—
Hong Kong Dollars	**97,557**	66,768	**65,052**	32,745
	97,558	66,770	**65,052**	32,745
Bank overdraft:				
Hong Kong Dollars	**—**	(32)	**—**	—
Total	**97,558**	66,738	**65,052**	32,745

Cash at bank/(bank overdraft) earns/(suffers) interest at floating rates based on daily bank deposit rates.

26. TRADE PAYABLES

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

	2011	2010
	HK$'000	*HK$'000*
0 — 90 days	**11**	4
91 — 180 days	**—**	159
181 — 365 days	**—**	162
	11	325

27. ACCRUALS AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Accruals	**3,512**	4,092
Other payables	**228**	5,121
	3,740	9,213

28. RECEIPTS IN ADVANCE

	2011	2010
	HK$'000	*HK$'000*
Trade deposits received	**6,251**	8,370

29. PROMISSORY NOTE

In April 2009, the Group issued a promissory note with principal amount of HK$100,000,000 as a part of consideration in acquisition of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and World East Investments Limited ("World East"). The effective interest rate is 30.97%.

On 26 May 2010, the Group early redeemed the entire promissory note and a loss on early redemption of promissory note of approximately HK$64,253,000 is recognised during the year 2010.

	2011	2010
	HK$'000	*HK$'000*
At 1 January	—	31,831
Issue of promissory note, fair value	—	—
Effective interest expenses	—	3,916
Redemption of promissory note	—	(35,747)
At 31 December	—	—

30. CONVERTIBLE LOAN NOTES

On 25 September 2008, the Company issued convertible loan note with a principal amount of HK$35 million to Goldig Investment Group Limited with a term of three years and zero coupon rate (the "Goldig Convertible Note"). The Goldig Convertible Note is convertible into shares of the Company at the initial conversion price of HK$0.125 at any time after the date of issue and before the maturity date. The effective interest rate of the liability component of the Goldig Convertible Note is 13.25%.

On 3 February 2009, the Company early redeemed principal amount of HK$28 million of the Goldig Convertible Note and a gain on early redemption of convertible loan note of approximately HK$11,719,000 is recognised during the year ended 31 December 2009.

Pursuant to the Company's circular dated 12 August 2009, the Company and the bondholders of the Goldig Convertible Note entered into the deed of amendments to modify the terms and conditions of the remaining of HK$7 million of the Goldig Convertible Note. Where the maturity date shall be the fifth anniversary of the date of issue instead of the third anniversary of the date of issue, and the mandatory conversion of any outstanding amount of the Goldig Convertible Note into new conversion shares at HK$0.239.

On 23 December 2010, an amount of HK$0.8 million of Goldig Convertible Note was converted into ordinary shares of the Company.

30. CONVERTIBLE LOAN NOTES *(continued)*

The movement of the liability component of the convertible loan notes recognised in the statement of financial position of the Group and the Company are calculated as follows:

	2011 *HK$'000*	2010 *HK$'000*
Liability component at 1 January	4,348	17,596
Extension of period	—	(1,331)
Conversion during the year	—	(559)
Redemption during the year	—	(13,381)
Effective interest expenses	603	2,023
Liability component at 31 December	4,951	4,348
Current liabilities	—	—
Non-current liabilities	4,951	4,348
	4,951	4,348

31. DEFERRED TAXATION

The movements in the Group's deferred tax liabilities/(assets) during the year are as follows:

The Group

	Revaluation of investment properties *HK$'000*	Convertible loan notes *HK$'000*	Total *HK$'000*
At 1 January 2010	7,175	24,428	31,603
Release on redemption of convertible loan notes *(Note 30)*	—	(24,428)	(24,428)
Charged to consolidated income statement	3,545	—	3,545
Release on disposal of subsidiary *(Note 38)*	(10,720)	—	(10,720)
At 31 December 2010, 1 January 2011 and 31 December 2011	—	—	—

The Company

	Convertible loan notes *HK$'000*
At 1 January 2010	24,428
Release on redemption of convertible loan notes *(Note 30)*	(24,428)
At 31 December 2010, 1 January 2011 and 31 December 2011	—

As at 31 December 2011, the Group has estimated unused tax losses of approximately HK$74,054,000 (2010: HK$74,622,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset was recognised during the year (2010: Nil) due to the unpredictability of future profit streams.

32. SHARE CAPITAL

	2011 *HK$'000*	2010 *HK$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.01 each	30,000	30,000
Issued and fully paid:		
505,649,726 ordinary shares of HK$0.01 each (2010: 505,649,726 ordinary shares of HK$0.01 each)	5,056	5,056

A summary of the movements of the Company's issued capital and share premium account is as follows:

	Notes	**Number of shares in issue**	**Issued capital** *HK$'000*
At 1 January 2010, ordinary shares of HK$0.01 each		676,330,271	6,763
Share consolidation (5 into 1)	*(i)*	(541,064,217)	—
Capital reduction	*(i)*	—	(5,411)
Placement of new shares	*(ii)*	284,000,000	2,840
Issue of shares arising on acquisition of subsidiaries	*(iii)*	59,183,672	592
Conversion of convertible loan notes	*(iv)*	1,600,000	16
Issue of shares upon exercise of share option	*(v)*	25,600,000	256
At 31 December 2010, 1 January 2011 and 31 December 2011, ordinary shares of HK$0.01 each		505,649,726	5,056

Notes:

For the year ended 31 December 2010

(i) Pursuant to an ordinary resolution passed in a special general meeting on 15 January 2010, every five issued shares of the Company of HK$0.01 each were consolidated into one consolidated share of HK$0.05 each. The consolidated shares of HK$0.05 each were then reduced to HK$0.01 each by canceling the paid-up capital to the extent of HK$0.04 on each issued consolidated share. The credit of approximately HK$5,411,000 arising from the reduction of issued share capital will be transferred to the contributed surplus account of the Company and be applied to offset against the accumulated losses permitted by the laws of Bermuda and the Bye-laws. Immediately after the capital consolidation, the number of issued shares of the Company was reduced to 135,266,054 shares of HK$0.01 each and the paid-up capital was reduced to approximately HK$1,352,000.

(ii) On 25 January 2010, the Company completed the first tranche placing of 100,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.30 per share with the net proceeds from the placing amounted to approximately HK$29,680,000;

On 5 February 2010, the Company completed the second tranche placing of 100,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.30 per share with the net proceeds from the placing amounted to approximately HK$29,670,000; and

On 30 December 2010, the Company completed the placing of 84,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.255 per share with the net proceeds from the placing amounted to approximately HK$20,227,000.

32. SHARE CAPITAL *(continued)*

Notes: (continued)

(iii) On 9 August 2010, 59,183,672 ordinary shares of the Company with par value of HK$0.01 each at a price of HK$0.31 were issued as part of consideration on acquisition of Infrared Engineering & Consultants Limited ("Infrared"). Details of the acquisition were set out in Note 37 to the consolidated financial statements.

(iv) On 23 December 2010, Goldig Convertible Notes with principal amount of HK$800,000 was converted into 1,600,000 ordinary shares at a conversion price of HK$0.50 per share.

(v) In 2010, 25,600,000 ordinary shares of the Company with par value of HK$0.01 each were issued upon exercise of share options by the share option holders.

33. SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (the "Scheme") on 6 March 2002. Under the terms of the Scheme, the board of directors of the Company (the "Board") may, at their discretion, grant options to selected persons to subscribe for shares in the Company as incentives or rewards for their contribution to the Group. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 30% of the issued share capital of the Company.

The subscription price will be determined by the Board and will not less than the highest of (i) the nominal value of the shares on the date of the offer, (ii) the closing price of the shares on the date of grant of the options, and (iii) the average of the closing prices of the shares on the five business days immediately preceding the date of offer of the options. The total number of shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant. The Scheme is valid and effective for a period of ten years from the listing of the Company's shares on the GEM on 26 March 2002. Any options granted under the Scheme may be exercised at any time during a period to be notified by the Board to each grantee but may not be exercised after the expiry of ten years from the date of grant of the option. Upon acceptance of the option, the grantee must pay HK$1.00 to the Company by way of consideration for the grant.

On 18 May 2010, the Company granted share options to certain of its consultants to subscribe for an aggregate of 8,400,000 shares under the Scheme at an exercise price of HK$0.202 per share.

On 2 June 2010, the Company granted share options to certain of its directors, employees and consultants for an aggregate of 31,450,000 shares under the Scheme at an exercise price of HK$0.325 per share.

On 3 December 2010, the Company granted share options to certain of its consultants to subscribe for an aggregate of 2,040,000 shares under the Scheme at an exercise price of HK$0.347 per share.

On 3 January 2011, the Company granted share options to certain of its directors, employees and consultants for an aggregate of 38,740,000 shares under the Scheme at an exercise price of HK0.335 per share.

33. SHARE OPTION SCHEME *(continued)*

During the year ended the Company's share options granted under the Scheme are as follows:

Date of grant	persons	Exercise price	Exercise period	Outstanding at 1 January 2010	Adjustment for capital reorganisation	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December and 1 January 2011	Granted during the year	Lapsed during the year	Outstanding at 31 December 2011
3 September 2009	Employees	0.455*	3 September 2009 to 2 September 2010	6,240,000	(4,992,000)	–	–	(1,248,000)	–	–	–	–
	Consultants	0.455*	3 September 2009 to 2 September 2010	16,720,000	(13,376,000)	–	–	(3,344,000)	–	–	–	–
13 November 2009	Employees	0.5*	13 November 2009 to 12 November 2010	6,240,000	(4,992,000)	–	–	(1,248,000)	–	–	–	–
18 May 2010	Consultants	0.202	18 May 2010 to 17 May 2011	–	–	8,400,000	(6,300,000)	–	2,100,000	–	(2,100,000)	–
2 June 2010	Directors	0.325	2 June 2010 to 1 June 2011	–	–	5,450,000	(2,100,000)	–	3,350,000	–	(3,350,000)	–
	Employees	0.325	2 June 2010 to 1 June 2011	–	–	2,100,000	(2,100,000)	–	–	–	–	–
	Consultants	0.325	2 June 2010 to 1 June 2011	–	–	23,900,000	(15,100,000)	–	8,800,000	–	(8,800,000)	–
3 December 2010	Consultants	0.347	3 December 2010 to 2 December 2011#	–	–	2,040,000	–	–	2,040,000	–	(2,040,000)	–
3 January 2011	Directors	0.335	3 January 2011 to 2 January 2012#	–	–	–	–	–	–	2,940,000	(2,940,000)	–
	Employees	0.335	3 January 2011 to 2 January 2012#	–	–	–	–	–	–	2,940,000	(2,940,000)	–
	Consultants	0.335	3 January 2011 to 2 January 2012#	–	–	–	–	–	–	32,860,000	(32,860,000)	–
	Total			29,200,000	(23,360,000)	41,890,000	(25,600,000)	(5,840,000)	16,290,000	38,740,000	(55,030,000)	–
	Exercisable at the end of the year								16,290,000			–
	Weighted average exercise price			HKD0.46	HKD0.46	HKD0.30	HKD0.29	HKD0.46	HKD0.31	HKD0.34	HKD0.33	N/A

* The exercise prices and numbers of share options which remained outstanding have been adjusted due to completion of open offer and capital reorganisation during the year ended 31 December 2010.

\# On 13 July 2011, Splendor Grow Limited ("Offeror"), a wholly-owned subsidiary of Century City International Holdings Limited ("Century City") intended to make general offers to acquire all the shares of the Company not already owned or agreed to be acquired by the Offeror, Century City and parties acting in concert with any of them at the offer.

The Offeror received valid acceptance of share offer as at the closing date on 21 September 2011. The outstanding share option lapsed automatically subject to the Scheme as general offer was made to all the holders and has been approved.

33. SHARE OPTION SCHEME *(continued)*

The fair value of options granted under the Scheme measured at the date of grant during the year ended was approximately HK$2,409,000. The following significant assumptions were used to derive the fair values using the Black-Scholes Options Pricing Model:

Date of granted	**3 January 2011**	**3 January 2011**
Total number of share options	5,880,000	32,860,000
Option value	0.0662	0.1241
Option life	0.5 years	1 year
Expected tenor	0.5 years	1 year
Exercise price	0.335	0.335
Stock price at the date of grant	0.34	0.34
Volatility	71.169%	103.049%
Risk free rate	0.3%	0.339%

34. EMPLOYEE AWARD PLAN

The Company's employee award plan (the "Plan") was adopted by the Board of Directors on 24 July 2007 for the primary purpose of recruiting and motivating employees and directors to achieve superior performance. The Plan is valid and effective for 10 years commencing on 24 July 2007. Under the Plan, the Remuneration Committee of the Company may conditionally grant an award to any directors or employee of the Company and its subsidiaries. Upon vesting of the award, the grantee shall be entitled to a cash payment under the award if the award price exceeds the vesting price, subject to an overall limit as stated in the award letter.

The amount of award payment shall be determined in accordance with the following formula:

(Vesting Price – Award price) x Award Number

Vesting price means the average closing price of the Company's shares as stated in the daily quotation sheets issued by the stock exchange for five business days immediately preceding the vesting date.

No grantee was entitled to any payment under the award during the year ended 31 December 2011.

35. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current year and prior year are presented in the consolidated statement of changes in equity on page 27 to the consolidated financial statements.

35. RESERVES *(continued)*

The Company

	Share premium HK$'000	Contributed surplus HK$'000 *(Note i)*	Convertible loan notes reserve HK$'000 *(Note ii)*	Share-based payments reserve HK$'000 *(Note iii)*	(Accumulated losses)/ retained profit HK$'000	Total HK$'000
At 1 January 2010	195,484	22,564	127,648	1,370	(212,283)	134,783
Net loss for the year	—	—	—	—	(1,789)	(1,789)
Total comprehensive income for the year	—	—	—	—	(1,789)	(1,789)
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 *(Note 31)*	—	—	24,981	—	(553)	24,428
Conversion of convertible loan notes	851	—	(308)	—	—	543
Capital reduction	—	5,411	—	—	—	5,411
Capital reorganisation	(252,834)	40,551	—	—	212,283	—
Issue of shares arising on acquisition of subsidiaries	17,755	—	—	—	—	17,755
Recognition of equity-settled share-based payments	—	—	—	3,468	—	3,468
Issue of shares upon exercise of share options	9,390	—	—	(2,101)	—	7,289
Lapsed of share options	—	—	—	(1,370)	1,370	—
Placing of new shares, net	76,737	—	—	—	—	76,737
Dividend paid *(Note 15)*	—	(40,232)	—	—	—	(40,232)
At 31 December 2010 and 1 January 2011	47,383	28,294	2,381	1,367	47,510	126,935
Net loss for the year	—	—	—	—	(8,239)	(8,239)
Total comprehensive income for the year	—	—	—	—	(8,239)	(8,239)
Recognition of equity-settled share-based payments	—	—	—	2,409	—	2,409
Lapsed of share options	—	—	—	(3,776)	3,776	—
At 31 December 2011	47,383	28,294	2,381	—	43,047	121,105

35. RESERVES *(continued)*

The Company *(continued)*

Notes:

(i) The contributed surplus of the Company represents the capital reduction and capital reorganisation of share capital and reserves of the Company during the year ended 31 December 2010.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if it is, or would after the payment be, unable to pay its liabilities as they become due or the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

(ii) The convertible loan notes reserve represents the value of the unexercised equity component of convertible notes issued by the Company.

(iii) The share-based payment reserve of the Company and the Group arises on the grant of share options of the Company and is dealt with in accordance with the accounting policies set out in Note 4.

36. JOINTLY CONTROLLED ENTITIES

Continuing operations

On 8 December 2010, Company enter into a joint venture agreement (the "Joint Venture Agreement") with China Star Entertainment (BVI) Limited ("CSEBVIL"), pursuant to which CSEBVIL agreed to invest for 30,000,000 new share in China Star Film Group Limited and its subsidiary ("CSFG Group"), a wholly-owned subsidiary of the Company.

The Company and CSEBVIL reached an understanding to subscribe for, and for the CSFG Group to issue, new shares to each of them and to the effect that the Company and CSEBVIL would respectively hold 50% of the enlarged issued share capital of CSFG Group after the completion of the Joint Venture Agreement on 6 January 2011.

The following amounts are included in the Group's consolidated financial statements as a result of the proportionate consolidated of the above joint ventures.

	2011	2010
	HK$'000	*HK$'000*
Current assets	**28,662**	—
Current liabilities	**(6)**	—
Income recognised in profit or loss	**58**	—
Expenses recognised in profit or loss	**(1,403)**	—

36. JOINTLY CONTROLLED ENTITIES *(continued)*

Discontinued operations

In July 2009, the Group's interest in Amazing Goal decreased from 100% to 50% following the allotment and issuance of 50 shares of Amazing Goal at price of US$1 each to Chung Chiu (PTC) Limited ("Chung Chiu") pursuant to a subscription agreement. After the transaction, Amazing Goal became a jointly controlled entity of the Group.

In August 2009, the Group's interest in Amazing Goal decreased to 19% and entitled to exercise its right to top-up its in Amazing Goal to a maximum of 50%, and the Group closely monitors the operation of Amazing Goal to exercise the right.

On 13 December 2010, the Group disposed of (i) its 19% owned jointly controlled entity of Amazing Goal Group and (ii) the Amazing Goal Sale Loan for the consideration HK$1. A gain on disposal of approximately HK$10,022,000 arose from this disposal.

The following amounts are included in the Group's consolidated financial statements as a result of the proportionate consolidation of the above joint ventures up to the date of disposal.

	2011	2010
	HK$'000	*HK$'000*
Other revenue and income	—	8,520
Administrative expenses	—	(507)
Finance costs	—	(7)
Profit before tax	—	8,006
Tax expense	—	—
Profit for the year	—	8,006

As at 31 December 2011, the Group had interests in the following significant jointly controlled entities:

Name of entity	Form of entity	Place/ Country of incorporation/ registration	Principal place of operation	Class of shares	Proportion of nominal value of issued capital held by the Group	Proportion voting power	Principal activities
China Star Film Group Limited	Incorporated	BVI	Hong Kong	Ordinary	**50%**	**50%**	Investment holding
China Star Film Production Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	**50%**	**50%**	Film production

37. ACQUISITION OF SUBSIDIARY

Acquisition of Infrared

On 9 August 2010, the Group acquired the entire issued share capital and the outstanding shareholders' loan of Infrared for total consideration of approximately HK$18,347,000. The fair value of identifiable assets and liabilities of Infrared at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value
	HK$'000
Property, plant and equipment	231
Trade receivables	251
Deposits, prepayments and other receivables	193
Amount due from shareholders	218
Cash and bank balances	27
Bank overdraft	(78)
Trade payables	(216)
Accruals and other payables	(31)
Tax payable	(74)
Net assets acquired	521
Sale loan	(218)
Goodwill	18,044
Total consideration	18,347
Consideration satisfied by:	
Fair value of shares issued *(Note i)*	18,347
Net cash outflow in respect of acquisition of a subsidiary:	
Cash and bank balances acquired	27
Bank overdraft acquired	(78)
	(51)

Note:

(i) 59,183,672 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of issued ordinary shares of the Company was determined with reference to the published price available at the date of acquisition of HK$0.31 per share, amounted to approximately HK$18,347,000.

38. DISPOSAL OF SUBSIDIARY

Disposal of Mega Shell

On 28 May 2010, the Group disposed of a wholly owned subsidiary of Mega Shell and its subsidiaries and the Mega Shell Sale Loan for a consideration of RMB 119,570,000 (equivalent to approximately HK$136,029,000). A gain on disposal of approximately HK$64,568,000 arose from this disposal was recognised in the consolidated income statement. Summary of the effect of the disposal of the subsidiary is as follows:

	HK$'000
Property, plant and equipment	7,043
Investment properties	130,436
Prepayments and other receivables	1,436
Properties held for sale	29,033
Cash and bank balances	31,904
Other payable and accruals	(69,773)
Amount due to the ultimate holding company	(10,916)
Receipts in advance	(39,288)
Tax payable	(15,215)
Deferred taxation	(10,720)
Net assets disposed of	53,940
Mega Shell Sale Loan	10,916
Release of translation reserve	6,605
	71,461
Gain on disposal	64,568
Total consideration	136,029
Satisfied by:	
Cash consideration received	136,029
Net cash inflow in respect of disposal of subsidiary:	
Cash consideration received	136,029
Cash and cash equivalents disposed of	(31,904)
	104,125

The subsidiaries disposed of during the year did not contribute significantly to the Group's results and cash flows.

39. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following material transactions with related parties during the year:

(a) Related entities

	Notes	2011 HK$'000	2010 HK$'000
Management fee charged by a related company	(i)	—	2,400
Dividend paid to related company	(ii)	—	2,542
Repayment of convertible loan note and promissory note to related company	(iii)	—	260,000
Repayment loan to related company	(iv)	—	155,535
Sub-contractor fee paid to related company	(v)	132	—
Service income received from related company	(vi)	245	—
Sundry income received from related company	(vi)	77	—

Notes:

(i) Management fee was charged at a rate mutually agreed between the Group and the related company in which certain directors of the Company's subsidiary have beneficial interests, by reference to sharing of office premises and supplies, and manpower in provision of administrative services to the Group.

(ii) On 5 May 2010, a special dividend of approximately HK$2,542,000 was distributed to Eternity Investment Limited ("Eternity") (formerly known as China Star Investment Holdings Limited) a company which Mr. Heung Wah Keung, a director of the Company, was beneficial/interest in it.

(iii) The Group repaid convertible loan notes and promissory note amounted to HK$100,000,000 and HK$100,000,000 respectively to Eternity and convertible loan notes amounted to HK$60,000,000 to China Star Entertainment Limited during the year ended 31 December 2010.

(iv) The Group repaid a shareholder's loan of approximately HK$155,535,000 to Eternity during the year ended 31 December 2010.

(v) Sub-contractor service was provided by the related company in which certain director of the Company's subsidiary has beneficial interests.

(vi) Service income and sundry income charged to related company in which certain director of the Company's subsidiary have beneficial interests, and the related company in which is family member of director of Company's subsidiary have beneficial interest respectively.

(b) Compensation of key management personnel

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	2,069	1,732
Provident fund convertors	27	1
	2,096	1,733

39. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) On 30 March 2006, Mr. Yuen Po Cheung and Mr. Ko Wing Hong, directors of Infrared, provided joint and several guarantee of HK$200,000 to bank to secure banking facilities of HK$200,000 grant to Infrared, a subsidiary of the Company, for which HK$2,000 arrangement fee is made. Upon renewal of the banking facility on 6 June 2007, Mr. Ko Wing Hong provided additional personal guarantee of HK$60,000, and, as at 31 December 2011, there are in total amount of HK$260,000 guarantee to secure the banking facilities.

40. OPERATING LEASE ARRANGEMENT

The Group as lessee

The Group leases certain retail shops and office premises under operating lease arrangements. Leases for retail shops and office premises are negotiated for terms ranging from 1 to 3 years. Leases for retail shops were no longer exist due to discontinued operations of distribution business.

At the end of the reporting period, the Group had future minimum lease payments under non-cancelable operating leases falling due is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**286**	224
In the second to fifth years, inclusive	**262**	—
	548	224

41. COMMITMENTS

The Group and the Company did not have any significant commitments at the end of the reporting period (2010: Nil).

42. CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities at the end of reporting period (2010: Nil).

43. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011	2010
	HK$'000	*HK$'000*
The Group		
Financial assets		
Loans and receivables (including cash and cash equivalents)	**107,297**	122,195
Financial liabilities		
Financial liabilities at amortised cost	**8,702**	22,289

43. FINANCIAL INSTRUMENTS *(continued)*

Categories of financial instruments *(continued)*

	2011	2010
	HK$'000	*HK$'000*
The Company		
Financial assets		
Loans and receivables (including cash and cash equivalents)	131,761	137,690
Financial liabilities		
Financial liabilities at amortised cost	6,021	6,914

Financial risk management objective and policies

The Group's principal financial liabilities comprise convertible loan notes, promissory note, trade payables and bank overdraft. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables as well as deposits and other receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The board of directors reviews and agreed policies for managing each of the risks which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its bank borrowings, bank overdraft and bank balances with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

At the end of reporting period, the Group has no significant exposure to interest rate risk. The exposures to the interest rate risk are monitored on an ongoing basis.

Foreign currency risk

The Group operates mainly in Hong Kong and majority of transactions are denominated in Hong Kong dollars. Therefore, the Group is not exposed to foreign exchange risk arising from the exposure of foreign currency against Hong Kong dollars.

43. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdraft, promissory note and convertible loan notes.

	Weighted average effective interest rate	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Total carrying amount *HK$'000*
The Group							
31 December 2011							
Non-derivative financial liabilities							
Convertible loan notes	13.86%	—	—	6,211	—	6,211	4,951
Accruals and other payables	—	3,740	—	—	—	3,740	3,740
Trade payables	—	11	—	—	—	11	11
		3,751	—	6,211	—	9,962	8,702
31 December 2010							
Non-derivative financial liabilities							
Convertible loan notes	13.86%	—	—	6,211	—	6,211	4,348
Accruals and other payables	—	9,213	—	—	—	9,213	9,213
Trade payables	—	325	—	—	—	325	325
Bank overdraft	—	32	—	—	—	32	32
		9,570	—	6,211	—	15,781	13,918

	Weighted average effective interest rate	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Total carrying amount *HK$'000*
The Company							
31 December 2011							
Non-derivative financial liabilities							
Convertible loan notes	13.86%	—	—	6,211	—	6,211	4,951
Accruals and other payables	—	1,070	—	—	—	1,070	1,070
		1,070	—	6,211	—	7,281	6,021
31 December 2010							
Non-derivative financial liabilities							
Convertible loan notes	13.86%	—	—	6,211	—	6,211	4,348
Accruals and other payables	—	2,566	—	—	—	2,566	2,566
		2,566	—	6,211	—	8,777	6,914

43. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Credit risk

At 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk is primarily attributable to trade or other receivables. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries. The exposures to these credit risks are monitored on an ongoing basis.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 23 to the consolidated financial statements.

Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities, with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices.

(ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model.

Except for the liability component of convertible loan notes which recorded amortised cost as below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values:

	31 December 2011		31 December 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	HK$'000	HK$'000	HK$'000
Convertible loan notes	4,951	5,033	4,348	4,570

Note:

The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion option.

Fair value measurements recognised in the consolidated statement of financial position

The fair value of financial assets and financial liabilities with standard terms and conditions and trade in active liquid are determined with reference to quoted market bid prices and ask prices respectively.

43. FINANCIAL INSTRUMENTS *(continued)*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification of repackaging);

Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input are not based on observable market data.

As at 31 December 2011 and 2010, the Group's financial instruments presented on the statement of financial position are not measured at fair value.

The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statement approximate to their fair value.

44. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 2010.

The Group monitors capital using a gearing ratio, which is convertible loan notes divided by the total of borrowings and equity. Borrowing includes convertible loan notes. Equity includes all share capital and reserves at the end of reporting period.

	2011	2010
	HK$'000	*HK$'000*
Borrowings:		
Convertible loan notes, liability components	4,951	4,348
Equity:		
Total equity	97,856	115,698
Gearing ratio	5.06%	3.76%

45. EVENTS AFTER THE REPORTING PERIOD

The following events have occurred subsequent to 31 December 2011:

On 30 December 2011, New Asia Media ("Offeror"), a wholly-owned subsidiary of Culture Landmark acquired 232,000,000 of the Company Shares from the Aikford Financial Services Limited and Splendor Glow Limited ("Vendors") for an aggregate consideration of HK$81,200,000 (equivalent to HK$0.35 per sale share).

Immediately before the above acquisition, the Offeror, Culture Landmark and parties acting in concert with any of them held 147,030,000 the Company shares, representing approximately 29.08% of the issued share capital of the Company. As at 16 January 2012 (after the acquisition), the Offeror holds in aggregate 379,030,000 the Company shares (including the sale shares) representing approximately 74.96% of the issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeover Code to make unconditional manadatory cash offers to acquire all the issued the Company shares and all outstanding Convertible Loan Note ("CLN") not already owned or agreed to be acquired by the Offeror, Culture Landmark and parties acting in concert with any of them.

45. EVENTS AFTER THE REPORTING PERIOD *(continued)*

On 16 January 2012, the joint announcement between the Offeror, Culture Landmark and the Company was made regarding the above acquisition which resulted in the Offeror triggering the obligation to make the offers in compliance with the Takeovers Code through REORIENT Financial Markets Limited (i) to acquire all the Company shares not already owned or agreed to be acquired by the Offeror, Culture Landmark and parties acting in concert with any of them at the Offer Price of HK$0.35 per share; and (ii) to acquire the CLN at the CLN Offer Consideration of HK$0.7187 for every HK$1 face value of the CLN.

The conditional mandatory cash offers were closed on 2 March 2012. After taking into account of 379,030,000 shares already held by the Offeror, Culture Landmark and parties acting in concert with any of them before the offer period, the Company shares (subject to completion of the transfer of the shares to the Offeror) and the CLN, the Offeror, Culture Landmark and parties acting in concert with any of them are interested in (i) an aggregate of 406,006,016 shares, representing approximately 80.29% of the issued share capital and voting rights of the Company as at the date of 2 March 2012; and (ii) all of the outstanding CLN as at 2 March 2012.

On 8 March 2012, the Company was informed by the Offeror that an aggregate of 27,000,000 Shares, representing approximately 5.34% of the issued share capital of the Company, being held by the Offeror had been placed by REORIENT Financial Markets Limited (as the placing agent) to investors who were independent of and not connected persons of the Offeror, Culture Landmark and the Company (the “Placing”). The Placing took place on 8 March 2012. None of the investors was expected to become a substantial shareholder after the Placing.

After the Placing, a total of 126,643,710 Shares, representing approximately 25.05% of the issued share capital of the Company are held by public shareholders.

As at the date of this report, the Offeror is interested in (i) 379,006,016 Shares, representing approximately 74.95% of the issued share capital and voting rights of the Company and (ii) CLN with total principal amount HK$6,200,000 issued by the Company.

46. PARTICULARS OF INTERESTS IN SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particular of excessive length.

Name	Place of incorporation	Issued and fully paid up capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Dance Star Group Limited	BVI	US$1	100%	—	Investment holding
China Media and Films Holdings Limited	Hong Kong	HK$1	100%	—	Investment holding
Diligent Lead Limited	BVI	US$1	100%	—	Investment holding
Premium Dignity Investments Limited	BVI	US$1	—	100%	Investment holding
Infrared	Hong Kong	HK$2	—	100%	Infrared consultancy services
China Star Management Limited	Hong Kong	HK$290,000	—	100%	Artist management
Anglo Market International Limited	BVI	US$1	—	100%	Artist management
Creative Formula Limited	Hong Kong	HK$10,000,000	—	100%	Films production and distribution

47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2012.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group for the last five financial years are set out below. This summary does not form part of the audited financial statement.

	Year ended 31/12/2011	Year ended 31/12/2010	Year ended 31/12/2009	Year ended 31/12/2008	Year ended 31/12/2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(restated)	(restated)
Result					
Turnover	**44,740**	21,790	7,198	74,122	62,339
Loss before tax	**(20,251)**	(136,961)	(27,724)	(75,306)	(93,305)
Tax expense	**—**	(5)	553	—	—
Loss for the year from continuing operations	**(20,251)**	(136,966)	(27,171)	(75,306)	(93,305)
Profit for the year from discontinued operations	**—**	84,513	53,270	—	340
(Loss)/profit for the year	**(20,251)**	(52,453)	26,099	(75,306)	(92,965)
(Loss)/profit attributable to owners of the Company	**(20,251)**	(52,453)	26,099	(75,306)	(92,965)

	Year ended 31/12/2011	Year ended 31/12/2010	Year ended 31/12/2009	Year ended 31/12/2008	Year ended 31/12/2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(restated)	(restated)
Assets and liabilities					
Total assets	**112,809**	138,064	594,228	27,212	45,187
Total liabilities	**(14,953)**	(22,366)	(418,848)	(71,862)	(34,159)
	97,856	115,698	175,380	(44,650)	11,028