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CHINA STAR INVESTMENT HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 764)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

The board of directors (the “Board”) of China Star Investment Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2009 together with the comparative figures for 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
Continuing operations			
Turnover	5	74,711	19,253
Cost of sales		<u>(1,362)</u>	<u>(493)</u>
Gross profit		73,349	18,760
Other revenue and other income	6	11,905	2,427
Administrative expenses		(17,563)	(26,462)
Impairment loss recognised in respect of goodwill		—	(101,965)
Impairment loss recognised in respect of intangible assets		(117,320)	—
Loss arising on change in fair value in respect of conversion options embedded in convertible note receivable		(64,542)	—
Gain arising on change in fair value in respect of convertible note designated as at fair value through profit or loss		55,244	—
Adjustment to cost of combination in respect of an acquisition in prior year		103,434	—
Loss on cancellation of convertible note payable		(18,247)	—
Loss on partial disposal of an associate		(280,020)	—
Loss on disposal of subsidiaries		(48,868)	—
Share of results of associates	12	724,988	—
Loss on deemed disposal of an associate		<u>(6,629)</u>	<u>—</u>

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
Profit/(loss) from operations	7	415,731	(107,240)
Finance costs	8	(8,086)	(3,350)
Profit/(loss) before taxation		407,645	(110,590)
Income tax credit	9	14,493	13,854
Profit/(loss) for the year from continuing operations		422,138	(96,736)
Discontinued operations			
Loss for the year from discontinued operations	10	(5,576)	(127,772)
Profit/(loss) for the year		416,562	(224,508)
Profit/(loss) attributable to owners of the Company		416,562	(224,508)
Dividend		—	—
Earnings/(loss) per share	11		
From continuing operations			
Basic and diluted		HK395.08 cents	HK(49.56) cents
From discontinued operations			
Basic and diluted		HK(5.22) cents	HK(65.46) cents
From continuing and discontinued operations			
Basic and diluted		HK389.86 cents	HK(115.02) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

		2009	2008
	Note	HK\$'000	HK\$'000
Profit/(loss) for the year		416,562	(224,508)
Other comprehensive income for the year (after tax and reclassification adjustments):			
Share of exchange reserve change of associates	12	(99)	—
Exchange differences on translating foreign operations		<u>483</u>	<u>34,550</u>
Total comprehensive income/(loss) for the year		<u>416,946</u>	<u>(189,958)</u>
Attributable to:			
Owners of the Company		<u>416,946</u>	<u>(189,958)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,838	2,155
Investment properties		—	—
Goodwill		—	—
Intangible assets		339,537	456,857
Interests in associates	12	641,908	—
Promissory note receivable		31,853	—
Convertible note receivable		3,670	—
Available-for-sale financial assets		172	172
		<u>1,018,978</u>	<u>459,184</u>
Current assets			
Trade receivables	13	6,022	6,839
Deposits, prepayments and other receivables		1,015	1,627
Loan to an associate		155,536	—
Amount due from an associate		5,103	—
Conversion options embedded in convertible note receivable		18,316	—
Cash and cash equivalents		275,802	7,218
		<u>461,794</u>	<u>15,684</u>
Assets of disposal group classified as held for sale		<u>—</u>	<u>1,049,412</u>
		<u>461,794</u>	<u>1,065,096</u>
Total assets		<u><u>1,480,772</u></u>	<u><u>1,524,280</u></u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		1,881	1,952
Reserves		1,369,163	892,471
		<u>1,371,044</u>	<u>894,423</u>
Total equity		<u><u>1,371,044</u></u>	<u><u>894,423</u></u>

	2009	2008
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES		
Current liabilities		
Accruals and other payables	10,200	32,956
Trade deposits received	477	477
Amounts due to related companies	—	600
Tax payable	731	731
	11,408	34,764
Liabilities of disposal group classified as held for sale	—	427,612
	11,408	462,376
Non-current liabilities		
Convertible notes payable	54,563	105,803
Deferred taxation	43,757	61,678
	98,320	167,481
Total liabilities	109,728	629,857
Total equity and liabilities	1,480,772	1,524,280
Net current assets	450,386	602,720
Total assets less current liabilities	1,469,364	1,061,904

Notes:

1. Basis of preparation

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

The consolidated financial statements have been prepared under historical cost convention except for certain financial assets at fair value through profit or loss, investment properties, conversion options embedded in convertible note receivable and convertible note designated as at fair value through profit or loss which are carried at fair value. The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

The Group’s books and records are maintained in Hong Kong Dollars (“HK\$”) as the directors of the Company control and monitor the performance and financial position of the Group in HK\$.

2. Application of new and revised Hong Kong Financial Reporting Standards

The accounting policies adopted in the audited consolidated financial statements for the year ended 31 December 2009 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008 except as described below.

The Group has applied, for the first time, a number of new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2009.

HKFRS (Amendments)	Annual improvements to HKFRSs issued in 2008*
HKFRS (Amendments)	Improvement to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers

* Except for the amendment to HKFRS 5 that is effective for the annual periods beginning on or after 1 July 2009.

The application of the new HKFRSs has resulted in the following changes:

- (a) HKAS 1 (Revised) “Presentation of Financial Statements” separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduced the statement of comprehensive income, it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.
- (b) The amendments to HKFRS 7 “Improving Disclosures about Financial Instruments”, enhances disclosures about fair value measurement and liquidity risk of the Group’s financial instruments. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree to which they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provisions set out in the amendments.
- (c) HKFRS 8 “Operating Segments” replaces HKAS 14 “Segment Reporting”. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

Save as described above, there is no material effect on the consolidated financial statements of the Group for the current or prior accounting periods by adopting the new HKFRSs, thus no prior period adjustment has been required.

3. Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not early adopted the following “new HKFRSs” that have been issued but are not yet effective.

HKFRS (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs in 2008 ¹
HKFRS (Amendments)	Annual Improvements to HKFRSs 2009 ²
HKFRS 1 (Revised)	First time Adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HKAS 24	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendments)	Classification of Rights Issues ⁴
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HK(IFRIC) — Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement ⁶
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners ¹
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

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

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

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

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

The application of HKFRS 3 (Revised) “Business Combination” may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) “Consolidated and Separate Financial Statements” will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with early application permitted. Under HKFRS 9, all recognised financial assets that are currently in the scope of HKAS 39 will be measured at either amortised cost or fair value. A debt instrument that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortised cost. All other debt instruments must be measured at fair value with gains or losses recognised in profit or loss. The application of HKFRS 9 might effect the classification and measurement of the Group’s financial assets.

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

4. Operating segments

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 currently engages in four operating divisions — (i) distribution; (ii) sub-licensing; (iii) sales of financial assets and (iv) provision of management services. 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) Distribution	Distribution of films
(ii) Sub-licensing	Sub-licensing of film rights
(iii) Sales of financial assets	Sales of financial assets at fair value through profit or loss
(iv) Provision of management services	Provision of management services to concierge departments of gaming promoters appointed by Macau casinos

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

Further, the business units are also managed to operate in different countries separately. Revenue and result are attributed to countries on the basis of the assets located.

An analysis of the Group's reportable segment results, assets, liabilities, and other selected financial information for the year by operating segment is as follow:

For the year ended 31 December 2009

	Distribution <i>HK\$'000</i>	Sub-licensing <i>HK\$'000</i>	Sales of financial assets <i>HK\$'000</i>	Provision of management services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Continuing operations					
Revenue					
Revenue from external customers	—	—	14,220	60,491	74,711
Results					
Segment results for reportable segment	—	—	14,220	59,129	73,349
Other revenue and other income					11,905
Administrative expenses					(17,563)
Finance costs					(8,086)
Share of results of associates					724,988
Profit before taxation and discontinued operations					784,593
Income tax credit					14,493
Profit for the year from continuing operations attributable to owners of the Company					799,086
Discontinued operations					
Loss for the year from discontinued operations attributable to owners of the Company					(5,576)
Core profit (excluding major non-cash items)					793,510
Major non-cash items					
— Adjustment to cost of combination in respect of an acquisition in prior year					103,434
— Impairment loss recognised in respect of intangible assets					(117,320)
— Loss arising on change in fair value in respect of conversion options embedded in convertible note receivable					(64,542)
— Loss on disposal of subsidiaries					(48,868)
— Loss on deemed disposal of an associate					(6,629)
— Loss on partial disposal of an associate					(280,020)
— Gain arising on change in fair value in respect of convertible note designated at fair value through profit or loss					55,244
— Loss on cancellation of convertible note payable					(18,247)
					416,562

	Distribution <i>HK\$'000</i>	Sub-licensing <i>HK\$'000</i>	Sales of financial assets <i>HK\$'000</i>	Provision of management services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets and liabilities					
Assets					
Segment assets for reportable segment					
— Hong Kong	56,979	—	114,054	—	171,033
— Macau	—	—	—	110,015	110,015
	<u>56,979</u>	<u>—</u>	<u>114,054</u>	<u>110,015</u>	<u>281,048</u>
Interests in associates					641,908
Unallocated corporate assets					<u>557,816</u>
Consolidated total assets					<u><u>1,480,772</u></u>
	Distribution <i>HK\$'000</i>	Sub-licensing <i>HK\$'000</i>	Sales of financial assets <i>HK\$'000</i>	Provision of management services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Liabilities					
Segment liabilities for reportable segment					
— Hong Kong	(40,207)	—	(13,713)	—	(53,920)
— Macau	—	—	—	(31,306)	(31,306)
	<u>(40,207)</u>	<u>—</u>	<u>(13,713)</u>	<u>(31,306)</u>	<u>(85,226)</u>
Unallocated corporate liabilities					<u>(24,502)</u>
Consolidated total liabilities					<u><u>(109,728)</u></u>
Other segment information					
Depreciation and amortisation	448	—	—	85	533
Additions to non-current assets (other than financial instruments and deferred tax assets)	—	235	—	1	236
	<u>—</u>	<u>235</u>	<u>—</u>	<u>1</u>	<u>236</u>

For the year ended 31 December 2008

	Distribution <i>HK\$'000</i>	Sub-licensing <i>HK\$'000</i>	Sales of financial assets <i>HK\$'000</i>	Provision of management services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Continuing operations					
Revenue					
Revenue from external customers	—	2,000	(962)	18,215	19,253
Results					
Segment results for reportable segment	—	2,000	(962)	17,722	18,760
Other revenue and other income					2,427
Administrative expenses					(26,462)
Finance costs					(3,350)
Loss before taxation and discontinued operations					(8,625)
Income tax credit					13,854
Profit for the year from continuing operations attributable to owners of the Company					5,229
Discontinued operations					
Loss for the year from discontinued operations attributable to owners of the Company					(127,772)
Core loss (excluding major non-cash item)					(122,543)
Major non-cash item — Impairment loss recognised in respect of goodwill					(101,965)
					(224,508)

	Distribution HK\$'000	Sub-licensing HK\$'000	Sales of financial assets HK\$'000	Provision of management services HK\$'000	Consolidated HK\$'000
Assets and liabilities					
Assets					
Segment assets for reportable segment					
— Hong Kong	9,559	2,019	—	—	11,578
— Macau	—	—	—	461,301	461,301
	<u>9,559</u>	<u>2,019</u>	<u>—</u>	<u>461,301</u>	<u>472,879</u>
Unallocated corporate assets					1,989
Assets of disposal group classified as held for sale					<u>1,049,412</u>
Consolidated total assets					<u>1,524,280</u>
Liabilities					
Segment liabilities for reportable segment					
— Hong Kong	(722)	—	—	—	(722)
— Macau	—	—	—	(54,823)	(54,823)
	<u>(722)</u>	<u>—</u>	<u>—</u>	<u>(54,823)</u>	<u>(55,545)</u>
Unallocated corporate liabilities					(146,700)
Liabilities of disposal group classified as held for sale					<u>(427,612)</u>
Consolidated total liabilities					<u>(629,857)</u>
Other segment information					
Depreciation and amortisation					
— Continuing operations	691	—	—	—	691
— Discontinued operations	—	—	—	—	4,342
					<u>5,033</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)					
— Continuing operations	864	—	—	—	864
— Discontinued operations	—	—	—	—	63,359
— Unallocated expenses	—	—	—	—	1,240
					<u>65,463</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2008: Nil).

Segment results represent the profit earned/(loss incurred) by each segment without allocation of administrative expenses, finance costs and income tax credit/(expense). This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

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

- all assets are allocated to reportable segments other than goodwill. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Geographical information

The Group mainly operates in Hong Kong and Macau. The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong	14,220	1,038	679,441	2,327
Macau	60,491	18,215	339,537	456,857
	<u>74,711</u>	<u>19,253</u>	<u>1,018,978</u>	<u>459,184</u>

Information about major customers

Included in revenues arising from provision of management services of HK\$60,491,000 (2008: HK\$18,215,000) are revenues of HK\$22,684,000 (2008: HK\$9,742,000) which arose from sales to the Group's largest customer.

5. Turnover

	Continuing operations		Discontinued operations		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Sub-licensing of film rights	—	2,000	—	—	—	2,000
Sales of financial assets at fair value through profit or loss, net (note)	14,220	(962)	—	—	14,220	(962)
Rental income	—	—	3,102	20,826	3,102	20,826
Service fee income	60,491	18,215	—	—	60,491	18,215
	<u>74,711</u>	<u>19,253</u>	<u>3,102</u>	<u>20,826</u>	<u>77,813</u>	<u>40,079</u>

Note:

The gains or losses from sales of financial assets at fair value through profit or loss are recorded in “turnover” on a net basis.

An analysis of sales of financial assets at fair value through profit or loss is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Proceed from disposal of financial assets at fair value through profit or loss	15,470	2,627
Cost of financial assets at fair value through profit or loss	<u>(1,250)</u>	<u>(3,589)</u>
	<u><u>14,220</u></u>	<u><u>(962)</u></u>

6. Other revenue and other income

	Continuing operations		Discontinued operations		Consolidated	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Other revenue						
Interest income on loan to a related company	3,972	—	—	—	3,972	—
Interest income on convertible note receivable	1,130	—	—	—	1,130	—
Interest income on bank deposits	<u>1</u>	<u>2,427</u>	<u>465</u>	<u>1,212</u>	<u>466</u>	<u>3,639</u>
	<u>5,103</u>	<u>2,427</u>	<u>465</u>	<u>1,212</u>	<u>5,568</u>	<u>3,639</u>
Other income						
Imputed interest income on:						
— convertible note receivable	881	—	—	—	881	—
— promissory note receivable	5,901	—	—	—	5,901	—
Gain on disposal of property, plant and equipment	20	—	—	—	20	—
Sundry income	<u>—</u>	<u>—</u>	<u>47</u>	<u>45</u>	<u>47</u>	<u>45</u>
	<u>6,802</u>	<u>—</u>	<u>47</u>	<u>45</u>	<u>6,849</u>	<u>45</u>
	<u><u>11,905</u></u>	<u><u>2,427</u></u>	<u><u>512</u></u>	<u><u>1,257</u></u>	<u><u>12,417</u></u>	<u><u>3,684</u></u>

7. Profit/(loss) from operations

Profit/(loss) from operations has been arrived after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	600	600	—	—	600	600
Depreciation of property, plant and equipment	533	691	1,293	4,342	1,826	5,033
Impairment loss recognised in respect of trade receivables	396	—	—	—	396	—
Loss on disposal of property, plant and equipment	—	3	—	—	—	3
Share-based payment expenses in respect of consultancy services	1,330	985	—	—	1,330	985
Operating lease rentals in respect of rented premises	1,403	1,640	19	174	1,422	1,814
Staff costs including directors' remuneration						
— salaries	6,394	6,808	942	4,615	7,336	11,423
— contributions to retirement benefits scheme	110	143	—	—	110	143
— share-based payment expenses	2,399	2,623	—	—	2,399	2,623
	8,903	9,574	942	4,615	9,845	14,189

8. Finance costs

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expense on secured bank loan wholly repayable within five years	—	—	5,678	25,289	5,678	25,289
Imputed interest expense on convertible notes payable	8,086	3,350	—	—	8,086	3,350
	8,086	3,350	5,678	25,289	13,764	28,639

9. Income tax credit/(expense)

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax credit	—	13,854	—	—	—	13,854
Deferred taxation	<u>14,493</u>	<u>—</u>	<u>(601)</u>	<u>22,214</u>	<u>13,892</u>	<u>22,214</u>
	<u>14,493</u>	<u>13,854</u>	<u>(601)</u>	<u>22,214</u>	<u>13,892</u>	<u>36,068</u>

No provision for Hong Kong Profits Tax, the PRC Corporate Income Tax or Macau Complementary Profits Tax has been made for the year ended 31 December 2009 (2008: Nil) as the Group either has no estimated assessable profits or its estimated assessable profits are wholly absorbed by the estimated tax losses brought forward.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. Accordingly, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of certain subsidiaries in Hong Kong for the year ended 31 December 2009 (2008: 16.5%).

An objection was lodged by Ocean Shores Licensing Limited (“OSLL”), a wholly-owned subsidiary of the Company, against the estimated assessments for the years of assessment from 1994/1995 to 2000/2001 in relation to the offshore claims of sub-licensing income. Provision for taxation of HK\$22,238,000 had been made in the Company’s 2007 audited consolidated financial statements. In February 2008, OSLL reached a compromise settlement on the estimated assessments with the Inland Revenue Department for settling the estimated tax liabilities in an aggregate amount of HK\$12,021,000, which included a surcharge of HK\$3,637,000. Therefore, a tax credit of HK\$13,854,000 was recognised in the year ended 31 December 2008.

10. Loss for the year from discontinued operations

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	3,102	20,826
Cost of sales	<u>(1,652)</u>	<u>(7,176)</u>
Gross profit	1,450	13,650
Other revenue and other income	512	1,257
Gain/(loss) arising on change in fair value in respect of investment properties	2,002	(74,045)
Impairment loss recognised in respect of goodwill	—	(40,382)
Administrative expenses	<u>(3,261)</u>	<u>(25,177)</u>
Profit/(loss) from discontinued operations	703	(124,697)
Finance costs	<u>(5,678)</u>	<u>(25,289)</u>
Loss before taxation from discontinued operations	(4,975)	(149,986)
Income tax (expense)/credit	<u>(601)</u>	<u>22,214</u>
Loss for the year from discontinued operations	<u><u>(5,576)</u></u>	<u><u>(127,772)</u></u>

11. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company for the years ended 31 December 2009 and 2008 and the weighted average number of ordinary shares in issue during these years.

The calculation of basic earnings/(loss) per share is based on the following data:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company		
From continuing operations	422,138	(96,736)
From discontinued operations	<u>(5,576)</u>	<u>(127,772)</u>
From continuing and discontinued operations	<u><u>416,562</u></u>	<u><u>(224,508)</u></u>
	2009 <i>'000</i>	2008 <i>'000</i>
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year	<u><u>106,850</u></u>	<u><u>195,187</u></u>

The weighted average number of ordinary shares in issue for the purposes of basic earnings/(loss) per share has been adjusted to take into the effect of the share consolidations that became effective on 2 May 2008 and 23 April 2009.

Diluted earnings/(loss) per share for the years ended 31 December 2009 and 2008 were the same as the basic earnings/(loss) per share. The Company's outstanding share options and convertible notes payable were not included in the calculation of diluted earnings/(loss) per share because the effects of the conversion of the Company's outstanding share options and convertible notes payable were anti-dilutive.

12. Interests in associates

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Cost of investments in associates listed in Hong Kong	266,778	—
Excess of acquirer's interest in fair value of associates' identifiable net assets over cost of acquisition (<i>notes a (i) and b (i)</i>)	702,500	—
Partial disposal of an associate (<i>note b (ii)</i>)	(343,130)	—
Loss on deemed disposal of an associate (<i>note a (ii)</i>)	(6,629)	—
Share of exchange reserve change of associates	(99)	—
Share of post-acquisition results and net of dividend received	22,488	—
	<u>641,908</u>	<u>—</u>

At 31 December 2009, the Group had interests in the following associates:

Name of associate	Country/place of incorporation	Principal place of operation	Class of shares held	Proportion of voting power held	Principal activities
China Star Film Group Limited (formerly known as Golife Concepts Holdings Limited ("CSFGL"))	the Cayman Islands and continued in Bermuda	Hong Kong	Ordinary	15.66%	Investment holding
China Star Entertainment Limited (“CSEL”)	Bermuda	Hong Kong	Ordinary	29.61%	Investment holding

Notes:

(a) CSFGL

- (i) On 8 April 2009, CSFGL issued 11,769,194 new shares at a price of HK\$0.50 per share to the Group for settling part of the consideration for acquiring the entire issued share capital of Shinhan-Golden Faith International Development Limited and World East Investments Limited together with the loans due by each of them to the Group. The 11,769,194 new shares represented 20.36% of the issued share capital of CSFGL as enlarged by the issue of 11,769,194 new shares and the fair value of which is HK\$2,118,000. As a result, the Group recorded an excess of acquirer's interest in fair value of associates' identifiable net assets over cost of acquisition of HK\$16,286,000 which is included as income in the determination of the investors' share of CSFGL and its subsidiaries' profit for the year ended 31 December 2009.
- (ii) During the year, CSFGL issued new shares pursuant to a private placement and upon exercise of share options which caused a dilution on the Group's interest in CSFGL from 20.36% to 15.66%. As a result, the Group recorded a loss on deemed disposal of an associate of HK\$6,629,000. The directors of the Company consider that the Group has retained significant influence over CSFGL by the representation of the Group on the board of directors of CSFGL despite the interest held by the Group is below 20% and the Group has continuously accounted for CSFGL as its associate for the year ended 31 December 2009.
- (iii) On 2 July 2009, the Group subscribed 94,153,552 new shares in CSFGL under the open offer announced on 23 April 2009. The consideration for subscription of the new ordinary shares amounted to HK\$9,415,000.
- (iv) At 31 December 2009, the fair value of the Group's interest in CSFGL, based on published quoted price on the Stock Exchange, was HK\$33,366,000 and the carrying amount of the Group's interest was HK\$27,465,000.

(b) CSEL

- (i) As a result of the conversion of the convertible note of HK\$200,000,000 receivable from CSEL at a conversion price of HK\$0.20 per share, CSEL has become an associate of the Company and the Group recognised an excess of acquirer's interest in fair value of associates' identifiable net assets over cost of acquisition of HK\$686,214,000 which is included as income in the determination of the investors' share of CSEL and its subsidiaries' profit for the year ended 31 December 2009.
- (ii) On 10 December 2009, the Group disposed of 320,000,000 shares in CSEL to independent third parties at a price of HK\$0.20 per share. As the net asset value of the 320,000,000 shares in CSEL was HK\$343,130,000 and the consideration (after deducting transaction costs) was HK\$63,110,000, the Group recorded a loss on partial disposal of an associate of HK\$280,020,000.
- (iii) At 31 December 2009, the fair value of the Group's interest in CSEL, based on published quoted price on the Stock Exchange, was HK\$124,440,000 and the carrying amount of the Group's interest in CSEL was HK\$614,443,000.

Summarised financial information in respect of the Group's associates is as follows:

	2009 HK\$'000
Total assets	3,784,503
Total liabilities	(1,289,730)
Net assets	<u>2,494,773</u>
Group's share of net assets of associates	<u>641,908</u>
	2009 HK\$'000
Total revenue	<u>567,652</u>
Total profit for the year	<u>190,494</u>
Group's share of profit of associates	<u>22,488</u>
Group's share of other comprehensive income of associates	<u>(99)</u>

13. Trade receivables

	2009 HK\$'000	2008 <i>HK\$'000</i>
0-30 days	6,022	4,443
31-60 days	—	—
61-90 days	—	—
Over 90 days	<u>396</u>	<u>2,396</u>
	6,418	6,839
<i>Less:</i> Impairment loss recognised	<u>(396)</u>	<u>—</u>
	<u>6,022</u>	<u>6,839</u>

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the year, the Group disposed of its entire interest in the issued share capital of Shinhan-Golden Faith International Development Limited (“Shinhan-Golden”) and World East Investments Limited (“World East”) together with the loans due by each of them to the Group. The major assets of Shinhan-Golden and World East are their interests in the registered capital of 北京莎瑪房地產開發有限公司 (“Beijing Suoma”). The principal activity of Beijing Suoma is property investment. Accordingly, the results of Shinhan-Golden and World East and their subsidiaries, namely Beijing Suoma, 上海昇平文化發展有限公司 (“Shanghai Shengping”) and Beijing Jianguo Real Estate Development Co., Limited (collectively the “Disposal Group”) are presented separately as discontinued operations.

Profit for the year ended 31 December 2009 from continuing and discontinued operations was HK\$416,562,000, whereas the Group recorded a loss of HK\$224,508,000 for the previous year.

Results of continuing operations

During the year ended 31 December 2009, the Group recorded a revenue of HK\$74,711,000, a 288% increase from HK\$19,253,000 for the previous year. The significant increase in revenue was attributable to the full year effect of the Group’s expansion into provision of management services business in August 2008 and the turnaround in the performance of sales of financial assets. Of the total turnover amount, HK\$60,491,000 or 81% was generated from provision of management services and HK\$14,220,000 or 19% was generated from sales of financial assets. Profit for the year ended 31 December 2009 from continuing operations was HK\$422,138,000, whereas the Group recorded a loss of HK\$96,736,000 for the previous year. The turnaround was mainly attributed to a gain on excess of acquirer’s interest in fair value of associates’ identifiable net assets over cost of acquisition of HK\$702,500,000 and a gain on adjustment to cost of combination in respect of an acquisition in prior year of HK\$103,434,000, which were partly offset by impairment loss on intangible assets of HK\$117,320,000 and losses on disposal of subsidiaries and associates of HK\$328,888,000.

Cost of sales for the year ended 31 December 2009 amounted to HK\$1,362,000, which was wholly related to provision of management services. Based on the turnover of HK\$60,491,000, the gross profit margin for provision of management services was 97.75%.

As there was a V-shaped recovery in Hong Kong equity market in 2009, the Group increased its sales of financial assets activities and posted a gain on sales of financial assets of HK\$14,220,000 during the year.

Other revenue and other income increased by 391% from HK\$2,427,000 in the year ended 31 December 2008 to HK\$11,905,000 in the year ended 31 December 2009. The significant increase was due to interest income of HK\$5,102,000 arising from loan advanced to and convertible note receivable from China Star Entertainment Limited (“CSEL”) (stock code: 326) and imputed interest income of HK\$5,901,000 arising from promissory note receivable.

Administrative expenses (before depreciation, impairment loss recognised in respect of trade receivables and loss on disposal of property, plant and equipment) amounted to HK\$16,634,000 for the year ended 31 December 2009, a 35% decrease from HK\$25,768,000 for the previous year. The decrease was mainly attributable to the payment of consultancy fee of HK\$1,650,000 and tax surcharge of HK\$3,637,000 in the year ended 31 December 2008, whereas no such expenses in the year ended 31 December 2009. In addition, the Group recorded a decrease in legal and professional fees of HK\$3,150,000 in the year ended 31 December 2009 due to the increased corporate activities in the previous year.

During the year, the directors reassessed the recoverable amounts of management services agreements held by Rich Daily Group Limited (“Rich Daily”) with reference to the valuations performed by an independent firm of professional valuers. In light of the non-achievement of the service fee income guarantee for the 12-month ended 30 June 2009, an impairment loss on intangible assets of HK\$117,320,000 was recognised.

As the closing price per share in China Star Film Group Limited (formerly known as Golife Concepts Holdings Limited (“CSFGL”)) (stock code: 8172) dropped to HK\$0.315 on 31 December 2009, the Group recognised a loss on fair value change in conversion options embedded in convertible note receivable from CSFGL of HK\$64,542,000.

Pursuant to the sale and purchase agreement dated 28 February 2008 relating to the acquisition of Rich Daily, Mr. Ng Cheuk Fai has irrevocably and unconditionally guaranteed to the Group that the service fee income of Rich Daily for the 12-month ended 30 June 2009 shall not be less than HK\$72,000,000. However, the actual service fee income of Rich Daily for the 12-month ended 30 June 2009 was HK\$57,224,000. According to the sale and purchase agreement, the consideration for acquiring Rich Daily has to be adjusted from HK\$504,000,000 to HK\$400,566,000. The adjustment to the consideration of HK\$103,434,000 was settled by deducting HK\$72,000,000 from a convertible note payable to Well Will Investment Limited on a dollar for dollar basis and cash payment of HK\$31,434,000 from Mr. Ng Cheuk Fai. As a result, the Group recorded a gain on adjustment to cost of combination in respect of an acquisition in prior year of HK\$103,434,000 and a loss on cancellation of convertible note payable of HK\$18,247,000.

Finance costs increased by 141% from HK\$3,350,000 in the year ended 31 December 2008 to HK\$8,086,000 in the year ended 31 December 2009. The increase was mainly due to the full year effect of the imputed interest expense on convertible notes payable to Well Will Investment Limited as the convertible notes were issued in August 2008.

The Group recorded a tax credit of HK\$14,493,000 which represented deferred tax credits of HK\$14,078,000 on release of impairment loss on intangible assets and HK\$415,000 on imputed interest expense on convertible notes payable.

Results of discontinued operations

Loss from property investment improved by 96% from HK\$127,772,000 in the year ended 31 December 2008 to HK\$5,576,000 in the year ended 31 December 2009. This improvement was mainly attributable to the recognition of a loss on fair value change in investment properties of HK\$74,045,000 and an impairment loss on goodwill of HK\$40,382,000 in the year ended 31 December 2008, whereas the Group recorded a gain on fair value change in investment properties of HK\$2,002,000 and no impairment loss on goodwill in the year ended 31 December 2009.

Liquidity and financial resources

During the year ended 31 December 2009, the Group mainly funded its operations through a combination of cash generated from operations, equity attributable to the Company's owners, bank borrowings, convertible notes payable and issuance of new shares. Equity attributable to the Company's owners at 31 December 2009 amounted to HK\$1,371,044,000 (2008: HK\$894,423,000).

At 31 December 2009, the cash and cash equivalents of the Group amounted to HK\$275,802,000 (2008: HK\$7,218,000). The significant increase in cash and cash equivalents was mainly attributable to the repayment of HK\$220,000,000 to the Group by Shanghai Shengping and the funds raised from issuance of new shares.

At 31 December 2009, the total borrowings of the Group amounted to HK\$54,563,000 (2008: HK\$106,403,000), representing the liability component of the convertible note of HK\$72,000,000 which is unsecured, interest bearing at 5% per annum and maturing on 28 August 2018. The decrease in total borrowings was mainly attributable to the cancellation of a convertible note of HK\$72,000,000 in settling the adjustment to the consideration for acquiring Rich Daily. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's owners was 4% (2008: 12%).

Net current assets and current ratio

At 31 December 2009, the Group's net current assets and current ratio were HK\$450,386,000 (2008: HK\$602,720,000) and 40.5 (2008: 2.3), respectively.

Capital structure

On 9 January 2009, 39,000,000 new shares of HK\$0.01 each were issued at a price of HK\$0.102 per share by way of top-up subscription of new shares under general mandate raising HK\$3,820,000 (net of expenses) for reducing the Group's bank borrowings.

On 11 February 2009, 200,000,000 new shares of HK\$0.01 each were issued at a price of HK\$0.102 per share by way of placing of new shares under specific mandate raising HK\$19,870,000 (net of expenses) for reducing the Group's bank borrowings.

On 20 February 2009, the directors proposed the following changes to the capital of the Company in order to reduce the overall transaction and handling costs for dealing in the Company's shares:

- (a) share consolidation — that every ten issued existing shares of HK\$0.01 each be consolidated into one issued consolidated share of HK\$0.10; and
- (b) capital reduction — that (i) the total number of consolidated shares of HK\$0.10 each in the issued share capital of the Company following the share consolidation be rounded down to a whole number by cancelling the fractional share arising from the share consolidation; (ii) the nominal value of each of the issued consolidated shares of HK\$0.10 be reduced to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.09 on each issued consolidated share; and (iii) the amount of credit arising from capital reduction be credited to the contributed surplus account of the Company.

The capital reorganisation was approved by the shareholders on 22 April 2009 and became effective on 23 April 2009.

On 2 March 2009, 300,000,000 new shares of HK\$0.01 each were issued at a price of HK\$0.091 per share by way of placing of new shares under specific mandate raising HK\$26,850,000 (net of expenses) for reducing the Group's bank borrowings.

On 30 March 2009, 367,093,498 new shares of HK\$0.01 each were issued at a subscription price of HK\$0.10 per share by way of open offer to the qualifying shareholders of the Company on the basis of one new share for every two existing shares held on 6 March 2009 raising HK\$34,339,000 (net of expenses) for financing possible diversified investments and general working capital of the Group.

On 10 September 2009, 22,000,000 new shares of HK\$0.01 each were issued at a price of HK\$0.42 per share by way of top-up subscription of new shares under general mandate raising HK\$9,030,000 (net of expenses) for general working capital of the Group.

On 29 December 2009, 56,000,000 new shares of HK\$0.01 each were issued to Thought Diamond International Limited at a price of HK\$0.50 per share raising HK\$27,700,000 (net of expenses) for possible diversified investments of the Group.

Disposal of subsidiaries and acquisition of associated companies

On 8 April 2009, the Group sold its interests in the entire issued share capital of Shinhan-Golden and World East together with the loans due by each of them to the Group to Mega Shell Services Limited (“Mega Shell”), a wholly-owned subsidiary of CSFGL, at a consideration of HK\$212,732,000. The consideration was settled in the following manner (a) the cash payment of HK\$6,847,000, (b) the issue of 11,769,194 new shares in CSFGL credited as fully paid at an issue price of HK\$0.50 per share, (c) the issue of a promissory note of HK\$100,000,000 by CSFGL and (d) the issue of a convertible note of HK\$100,000,000 by CSFGL with an initial conversion price of HK\$0.50 per conversion share (subject to adjustment). A loss on disposal of subsidiaries of HK\$48,868,000 and a gain on excess of acquirer’s interest in fair value of associates’ identifiable net assets over cost of investment of HK\$16,286,000 were recognised. The disposal together with the related transactions were approved by the shareholders on 12 February 2009.

On completion of the disposal of Shinhan-Golden and World East, the Group was interested in 20.36% of the issued share capital of CSFGL.

On 23 April 2009, the Group signed an undertaking to subscribe for 94,153,552 new shares in CSFGL at a subscription price of HK\$0.10 per share to which the Group was entitled to under the open offer to the qualifying shareholders of CSFGL on the basis of eight new shares for every one existing share as announced by CSFGL on the same date. The subscription price for the new shares in CSFGL amounted to HK\$9,415,000. The reasons for the Group for entering into the undertaking are to maintain its substantial level of shareholding interest in CSFGL and to facilitate the open offer for raising additional capital to strengthen CSFGL’s capital base. The open offer was completed on 2 July 2009.

During the year ended 31 December 2009, CSFGL issued new shares pursuant to a private placement and upon exercise of share options causing a dilution on the Group’s interest in CSFGL to 15.66% at the year end. Accordingly, the Group recognised a loss on deemed disposal of an associate of HK\$6,629,000. Despite the Group’s interest in CSFGL stood at 15.66%, it was accounted for investment in associate as the Group has retained its significant influence over CSFGL by having a representation on the board of directors of CSFGL.

During the year ended 31 December 2009, CSFGL recorded a profit attributable to its owners of HK\$26,099,000 and contributed a profit of HK\$6,372,000 to the Group.

On 29 April 2009, the Company made a loan of HK\$200,000,000 to CSEL pursuant to the conditional loan agreement dated 11 March 2009. The loan was unsecured, interest bearing at prime rate as quoted by The Hong Kong and Shanghai Banking Corporation Limited per annum and maturing on 28 April 2012. The loan made to CSEL was approved by the shareholders, other than Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and their associates, on 22 April 2009.

On 21 September 2009, the Group subscribed the convertible note of HK\$200,000,000 from CSEL pursuant to the conditional subscription agreement dated 23 July 2009. The subscription price of the convertible note was satisfied by setting off the loan of HK\$200,000,000 made by the Company to CSEL on 29 April 2009. The convertible note was unsecured, interest bearing at prime rate as quoted by The Hong Kong and Shanghai Banking Corporation Limited per annum and maturing on 20 September 2012. The convertible note entitled the Group to convert the outstanding principal amount into shares in CSEL at an initial conversion price of HK\$0.20 per share (subject to adjustment). The subscription of the convertible note was approved by the shareholders, other than Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and their associates, on 14 September 2009.

During the second half of 2009, the Group converted the convertible note of HK\$200,000,000 entirely into 1,000,000,000 shares in CSEL at a conversion price of HK\$0.20 per share. As a result, the Group recorded a gain on fair value change in convertible note of HK\$55,244,000, which represented the difference between the fair value of the convertible note of HK\$255,244,000 and their carrying amount of HK\$200,000,000 and a gain on excess of acquirer's interest in fair value of associates' identifiable net assets over cost of investment of HK\$686,214,000. On 10 December 2009, the Group disposed of 320,000,000 shares in CSEL to independent third parties at a price of HK\$0.20 per share and recorded a loss on partial disposal of an associate of HK\$280,020,000.

During the year ended 31 December 2009, CSEL made a profit attributable to its owners of HK\$204,388,000 and contributed a profit of HK\$16,116,000 to the Group.

Loan to Shanghai Shengping

As at the date of completion of the disposal of Shinhan-Golden and World East, Shanghai Shengping (a subsidiary of World East) was indebted to the Group in the sum of HK\$375,536,000. Pursuant to the sale and purchase agreement, the loan made to Shanghai Shengping by the Group was not settled immediately upon completion and CSFGL has provided a guarantee to the Group for a term of maximum of three financial years ending 31 December 2011 to secure the repayment. If any part of the loan has not been settled on the day falling on the fifth anniversary of the date of completion, CSFGL will issue a convertible note to settle the outstanding balance of the loan.

During the year ended 31 December 2009, Shanghai Shengping repaid HK\$220,000,000 to the Group. At 31 December 2009, the outstanding balance of the loan was HK\$155,536,000.

The loan is secured by a corporate guarantee given by CSFGL, interest-free and has no fixed terms of repayment.

Pledge of assets

At 31 December 2009, no assets of the Group were pledged.

Commitments

At 31 December 2009, the Group had no material commitments.

Exchange risk and hedging

During the year ended 31 December 2009, the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Contingent liabilities

At 31 December 2009, the Group had no material contingent liabilities.

Employees and remuneration policy

At 31 December 2009, headcount of the Group was 21 (2008: 22 for continuing operations; 96 for discontinued operations). Staff costs (including directors' remuneration) for continuing operations and discontinued operations amounted to HK\$8,903,000 (2008: HK\$9,574,000) and HK\$942,000 (2008: HK\$4,615,000) in the year ended 31 December 2009, respectively. In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

Operations Review

Continuing operations

During the year ended 31 December 2009, no revenue was generated from the Group's film distribution business as the Group was not able to secure a sufficient quantity of films at reasonable prices for distribution. As the cost of maintaining a distribution network is high, the Group has further scaled down its film distribution operations in the second half of 2009 in order to improve its cost structure.

Following a range of quantitative easing measures carried out by central banks, the market sentiment improved and global equities rallied. During the year ended 31 December 2009, the Group reactivated its sale of financial assets business. As Hong Kong stock market rallied sharply in the third quarter of 2009, the Group took profit on its Hong Kong equities by selling all of them in September 2009 and recorded a gain on sales of financial assets of HK\$14,220,000.

During the year ended 31 December 2009, Rich Daily generated services fee income amounted to HK\$60,491,000. Rich Daily is a management services provider to the concierge departments of gaming promoters. The monthly service fee earned by Rich Daily is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoters. Following the outbreak of global financial crisis, Rich Daily recorded a drop in its services fee income from September 2008 to February 2009. With Beijing's efforts to reflate the Chinese economy, the Group has seen a gradual improvement on the monthly service fee income since March 2009. The directors believe that Rich Daily strengthens the Group's profitability and cash inflow.

Best Season Holdings Corp. ("Best Season"), a 75% owned subsidiary of the Company, has been established to invest in, manage and conduct branding for real estate and/or related properties in Macau. Due to the downturn in Macau's property market in the second half of 2008 and the concentration on the Group's resources on newly expanded business, the business development of Best Season has temporarily been suspended. As a result, no contribution was made from Best Season for the year ended 31 December 2009.

Discontinued operations

During the period from 1 January 2009 to 8 April 2009, the Disposal Group generated an average monthly rental income of HK\$1,045,000 and achieved an average monthly occupancy of 18%. The unsatisfactory occupancy was a direct result of weak leasing demand in the first half of 2009. The weakened demand for serviced apartments in Beijing primarily resulted from the negative impact of the global financial crisis which caused a cut in the number of expatriates staff stationed in Beijing by multinational companies.

Future Prospects

Given the Hong Kong stock market performed so well in 2009, there may be a consolidation in the second and third quarters of 2010. The directors believe that any consolidation in Hong Kong equities presents an opportunity to the Group for building a stocks portfolio for sustainable growth. The Group will continue to adopt a prudence approach in investing Hong Kong equities to enhance the returns to its shareholders.

With Macau's gaming revenue surged to its highest-ever quarterly figure in the fourth quarter of 2009, the directors believe that the provision of management services business will continue to contribute positively to the Group in coming years.

Although the global economy shown a sign of improvement in 2009, the directors believe that 2010 remains challenging. However, the directors consider that such kind of economics climate provides opportunities to the Group to invest with reasonable prices. The Group will actively seek investment opportunities to diversify its businesses and broaden its revenue base.

Events After the Reporting Period

Subsequent to 31 December 2009, Riche (BVI) Limited, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Mr. Man Kong Yui, an independent third party, relating to the acquisition of a 4.5% interest in the issued share capital of Hantec Holdings Investment Limited, at a consideration of HK\$18,000,000. The consideration was satisfied by Riche (BVI) Limited procuring the Company to allot and issue 26,420,000 new shares credited as fully paid to Mr. Man upon completion. Please refer to the Company's announcements dated 31 March and 9 April 2010 for details.

The conditional sale and purchase agreement was completed on 16 April 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2009, except for code provision A.4.1.

Code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term, subject to re-election. However, all the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company 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 greater than one-third) shall retire from office by rotation. As such, the Company considers that such provision is sufficient to meet the underlying objective of the code provision.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company. All the members of the Board have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2009.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and policies adopted by the Company and discussed auditing, internal controls and financial reporting matters including the review of the final results of the Group for the year ended 31 December 2009.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

By Order of the Board

Lei Hong Wai

Chairman

Hong Kong, 26 April 2010

As at the date of this announcement, the Board comprises two executive directors namely, Mr. Lei Hong Wai and Mr. Chan Kin Wah, Billy and three independent non-executive directors namely, Mr. Tang Chak Lam, Gilbert, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung.