THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Riche Multi-Media Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

VERY SUBSTANTIAL ACQUISITION
AND
CONNECTED TRANSACTION
IN RELATION TO
THE PROPOSED ACQUISITION OF A 100% INTEREST
IN THE ISSUED SHARE CAPITAL OF
MODERN VISION (ASIA) LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

大華證券(香港)有限公司
GRAND CATHAY SECURITIES (HONG KONG) LIMITED

A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 18 of this circular. A letter from the Independent Financial Adviser setting out its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 31 of this circular.

A notice convening the special general meeting of Riche Multi-Media Holdings Limited to be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Wednesday, 21 November, 2007 at 4:30 p.m. is set out on pages 219 to 220 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

5 November 2007

CONTENTS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

"Acquisition"	the proposed acquisition of a 100% interest in the issued share capital of Modern Vision;
"Announcement"	the announcement dated 23 July 2007 issued by the Company in relation to the Acquisition;
"associate(s)"	has the meaning as ascribed to it under the Listing Rules;
"Board"	board of Directors;
"Business Day"	a day (other than a Saturday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business;
"Company"	Riche Multi-Media Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;
"Completion"	the completion of the Acquisition;
"Consideration"	the total consideration payable by the Purchaser for the Acquisition pursuant to the S&P Agreement, being HK$684,000,000, subject to adjustment;
"Director(s)"	director(s) of the Company;
"Group"	the Company and its subsidiaries;
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	the independent board committee comprising Mr. Tang Chak Lam, Gilbert, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung, all of whom are independent non-executive Directors to advise the Independent Shareholders on the Acquisition;

"Independent Financial Adviser"	Grand Cathay Securities (Hong Kong) Limited, a licensed corporation registered under the SFO to carry on types 1, 6 and 9 regulated activities as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the S&P Agreement and the Acquisition;
"Independent Shareholders"	Shareholders other than the Vendor and her associates;
"Independent Third Party"	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules);
"Last Trading Day"	19 July 2007, being the last trading day of the Shares on the Main Board of the Stock Exchange immediately prior to the date of Announcement;
"Latest Practicable Date"	1 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Macau"	Macau Special Administrative Region of the PRC;
"Macau Co"	Legstrong Construction and Investment Company Limited, an indirect wholly-owned subsidiary of Over Profit;
"Modern Vision"	Modern Vision (Asia) Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. Chen;
"Modern Vision Group"	Modern Vision and its subsidiaries;

"Ms. Chen" or "Vendor"	Ms. Chen Ming Yin, Tiffany, an executive Director;
"Open Offer"	the proposed issue of 650,619,987 new Shares at a price of HK$0.30 per Share by way of open offer to the qualifying Shareholders for subscription on the basis of one new Share for every two existing Shares held on the record date as announced by the Company on 18 October 2007;
"Over Profit"	Over Profit International Limited, a company incorporated in the British Virgin Islands and wholly-owned by Modern Vision;
"PRC"	the People's Republic of China;
"Property"	a lot of land with the area of 4,669 square meters, named "Lote C7 do Plano de Urbanização da Baía da Praia Grande", located in the Nam Van Lakes Zone, at Avenida Doutor Stanley Ho, registered with the Macau Land and Real Estate Registry under no. 23070;
"Purchaser" or "Legend Rich"	Legend Rich Limited, a wholly-owned subsidiary of the Company;
"Registrar"	Tricor Standard Limited, the branch share registrar of the Company in Hong Kong;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	Securities and Futures Ordinance, (Cap. 571 of the Laws of Hong Kong);
"SGM"	a special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Acquisition, a notice of which is set out on pages 219 to 220 of this circular;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Summer Sound"	Summer Sound Investments Limited, a company incorporated in the British Virgin Islands, wholly-owned by Over Profit and which indirectly owns the entire issued quota of Macau Co;

"Summer Sound Group"	Summer Sound and its subsidiaries;
"S&P Agreement"	a conditional sale and purchase agreement entered into between the Purchaser and the Vendor dated 19 July 2007 in respect of the Acquisition;
"%"	per cent.

RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

Executive Directors:
Mr. Heung Wah Keung
Ms. Chen Ming Yin, Tiffany

Independent non-executive Directors:
Mr. Tang Chak Lam, Gilbert
Mr. Ho Wai Chi, Paul
Mr. Lien Wai Hung

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 3408, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

5 November 2007

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF A 100% INTEREST IN THE ISSUED SHARE CAPITAL OF MODERN VISION (ASIA) LIMITED AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 23 July 2007, the Board announced that on 19 July 2007 (after 12:30 p.m.), the S&P Agreement was entered into between the Purchaser and the Vendor, pursuant to which the Purchaser would acquire a 100% interest in Modern Vision, at an aggregate consideration of HK$684,000,000 (subject to adjustment). The Consideration shall be satisfied in cash from internal resources of the Company, the net proceeds from the Open Offer and third party financing (which has not yet been determined).

The purpose of this circular is to provide further information in respect of (i) the S&P Agreement and the Acquisition; (ii) the letter of advice from the Independent Board Committee to Independent Shareholders; (iii) the recommendation of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the S&P Agreement and the Acquisition; (iv) the accountants' reports on Modern Vision, Over Profit, the Summer Sound Group and Macau Co; (v) the independent valuation report of the Property; and (vi) to give you a notice of the SGM at which resolution will be proposed to consider and if thought fit, approve, inter alia, the S&P Agreement and the transactions contemplated thereunder.

THE S&P AGREEMENT

Date:

19 July 2007 (after 12:30 p.m.)

Parties:

(i) Purchaser: Legend Rich, a wholly-owned subsidiary of the Company; and

(ii) Vendor: Ms. Chen Ming Yin, Tiffany.

The Vendor is Ms. Chen Ming Yin, Tiffany, an executive Director and as such, the Vendor is a connected person (as defined in the Listing Rules) of the Company under Chapter 14A of the Listing Rules.

The Acquisition

Pursuant to the S&P Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to dispose of a 100% equity interest in Modern Vision.

The major asset of Modern Vision is its 50% equity interest in Over Profit.

Over Profit is an investment holding vehicle which indirectly holds a 100% equity interest in Macau Co. Macau Co is the registered and beneficial owner of the Property. The Property is a lot of land with the area of 4,669 square meters, named "Lote C7 do Plano de Urbanização da Baía da Praia Grande", located in the Nam Van Lakes Zone, at Avenida Doutor Stanley Ho, registered with the Macau Land and Real Estate Registry under no. 23070. So far as the Company is aware, Macau Co intends to develop the site into residential properties. No independent valuation has been conducted on the Property upon the signing of the S&P Agreement. However, an independent valuation has subsequently been conducted on the Property as set out in Appendix IXa of this circular.

Modern Vision was incorporated in the British Virgin Islands on 25 May 2007. It has not commenced business other than indirectly acquiring the Property.

Consideration

The Consideration, being HK$684,000,000 (subject to adjustment), was determined between the Purchaser and the Vendor on a "willing buyer — willing seller" basis having regards to (i) the Land Grant issued by Macau Government which contemplates the following as to the construction purposes and gross floor areas: (in square meters): (a) Housing 59,160; (b) Commerce 1,700; (c) Private Parking 12,966; (d) Public Parking 9,821; (e) Free area with equipments 428; and (f) Free area without equipments 2,308 ("Land Grant Figures"); and (ii) the price of adjacent plots of land to which the Property is situated. A property valuation of the Property has been conducted by a firm of independent professional valuers valuing the Property at HK$1,380,000,000 as at 31 August 2007. The Directors (including the independent non-executive Directors), consider that the terms of the S&P Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Shareholders should refer to the property valuation on the Property as set out in Appendix IXa of this circular. The Vendor had acquired its 75% interest in the Property in July 2007 based on the Land Grant Figures at a consideration of HK$1,026,000,000.

The total Consideration satisfied by the payment by the Company of:

(i) a refundable deposit in the amount of HK$253,000,000 was paid upon the signing of the S&P Agreement;

(ii) a refundable deposit in the amount of HK$137,000,000 was paid on 19 September 2007; and

(iii) the balance of HK$294,000,000 (subject to the deduction of 50% of all outstanding balance of bank loan due from Macau Co to Banco Comercial de Macau S. A. as at Completion) on Completion (the "Balance Payment").

The refundable deposits of in aggregate HK$390,000,000 shall immediately be returned to the Company without interest in the event of non-completion of the S&P Agreement for whatever reason.

In the event that the Property is constructed with gross floor areas which are less than the Land Grant Figures ("Actual Figures"), then the Consideration shall be reduced by the following Adjustment. The Adjustment is calculated as follows:

$$\text{Adjustment} = \frac{\text{HK\$684,000,000}}{\text{Land Grant Figures}} \times (\text{Land Grant Figures} - \text{Actual Figures})$$

In the event that the Adjustment exceeds the Balance Payment, then the Vendor undertakes to pay such excess upon written demand by the Purchaser.

Condition

Completion is conditional upon, the following conditions being fulfilled and/or waived by the Purchaser as at the date of Completion:

(a) the Purchaser obtaining to its satisfaction a legal opinion from Macanese lawyers on, inter alia,

  (i) confirming Modern Vision indirectly has good title to the Property; and

  (ii) the unrestricted right of the Property for residential and/or commercial use;

(b) all consents of the Independent Shareholders and the Stock Exchange in connection with the transactions contemplated by the S&P Agreement having been obtained;

(c) the Vendor's warranties in the S&P Agreement remaining true and accurate in all material respects;

(d) the Purchaser undertaking and completing a due diligence investigation in respect of the Property and Macau Co and being satisfied with the results of such due diligence investigation; and

(e) the Purchaser having received a property valuation from an independent property valuer appointed by the Company valuing the Property at not less than HK$1,368,000,000.

If the conditions of the S&P Agreement are not fulfilled or waived in whole or in part by the Purchaser in writing, in its absolute discretion by no later than 4:00 p.m. on 30 June 2008, then the S&P Agreement shall cease and be determined and all liabilities of the parties thereto will cease and no party will have any claim against the others (except in respect of any antecedent breaches and any matters or things arising out of or in connection with the S&P Agreement).

Completion shall take place on the third Business Day after the fulfillment and/or waiver of the last of the conditions precedent in the S&P Agreement or such later date as the Vendor and the Purchaser may agree.

As at the Latest Practicable Date, other than (e), none of the above conditions has been fulfilled.

INFORMATION ON MODERN VISION, OVER PROFIT, SUMMER SOUND AND MACAU CO

Information on Modern Vision

Modern Vision was incorporated in the British Virgin Islands with limited liability on 25 May 2007. Modern Vision is an investment holding company. The major asset of Modern Vision is its 50% equity interest in Over Profit. Other than holding the 50% equity interest in Over Profit, Modern Vision has not carried out any business since its date of incorporation.

According to the accountants' report on Modern Vision as shown in Appendix II to this circular, the net assets value of Modern Vision as at 31 May 2007 was HK$8. There was no profit attributable to the equity holders of Modern Vision for the period from 25 May 2007 (date of incorporation) to 31 May 2007.

Information on Over Profit

Over Profit was incorporated in the British Virgin Islands with limited liability on 20 April 2007. The principal activity of Over Profit is investment holding. On 19 July 2007, Over Profit acquired a 100% equity interest in Summer Sound. Other than holding the 100% equity interest in Summer Sound, Over Profit has not carried out any business since its date of incorporation.

According to the accountants' report on Over Profit as shown in Appendix III to this circular, the net assets value of Over Profit as at 31 May 2007 was HK$780. There was no profit attributable to the equity holders of Over Profit for the period from 20 April 2007 (date of incorporation) to 31 May 2007.

Information on Summer Sound

Summer Sound was incorporated in the British Virgin Islands with limited liability on 30 January 2006. Summer Sound is an investment holding vehicle which indirectly holds a 100% equity interest in Macau Co. Other than indirectly holding the 100% equity interest in Macau Co, Summer Sound has not carried out any business since its date of incorporation.

According to the accountants' report on the Summer Sound Group as shown in Appendix IV to this circular, the consolidated net assets value of the Summer Sound Group as at 31 December 2006 and 31 May 2007 were HK$1,627,351,000 and HK$1,627,793,000 respectively. The profit attributable to the equity holders of Summer Sound both before and after taxation for the period from 30 January 2006 (date of incorporation) to 31 December 2006 and the five months ended 31 May 2007 were HK$259,351,000 and HK$442,000 respectively.

Information on Macau Co

Macau Co was incorporated in Macau with limited liability on 20 June 1989. Macau Co is principally engaged in property investment and development in Macau, with its principal asset being that of the Property. The Property is a lot of land with an area of 4,669 square meters, named "Lote C7 do Plano de Urbanização da Baía da Praia Grande", located in the Nam Van Lakes Zone, at Avenida Doutor Stanley Ho, registered with the Macau Land and Real Estate Registry under no. 23070. The Property was leased to Macau Co for a term of 25 years commencing on 22 August 2001, and pursuant to the completion of the development, shall be automatically renewable for a period of 10 years until 19 December 2049, in accordance with the legislation in force in Macau. Under the Land Grant presently in force, the Property shall be developed with the construction of a building under strata title for (i) housing 25,832 square meters; (ii) commence 215 square meters; and (iii) private parking 3,930 square meters. Macau Co has submitted to the Macau Government an application to have the Land Grant amended. On 27 September 2006, the Macau Government sent Macau Co a draft of a contract of amendment to the Land Grant which contemplates the following as to construction purposes and gross floor areas (i) housing 59,160 square meters; (ii) commerce 1,700 square meters; (iii) private parking 12,966 square meters; (iv) public parking 9,821 square meters; (v) free area with equipment 428 square meters; and (iv) free area without equipment 2,308 square meters. On 2 October 2006, Macau Co sent a reply to the Macau Government accepting the draft contract of amendment to the Land Grant. The amendment to the Land Grant will be completed upon publication of the Gazette of the contract of amendment to the Land Grant.

It is intended that luxury residential apartments be developed on the Property for sale. As the amendment to the Land Grant is underway, the Property is vacant and pending for development.

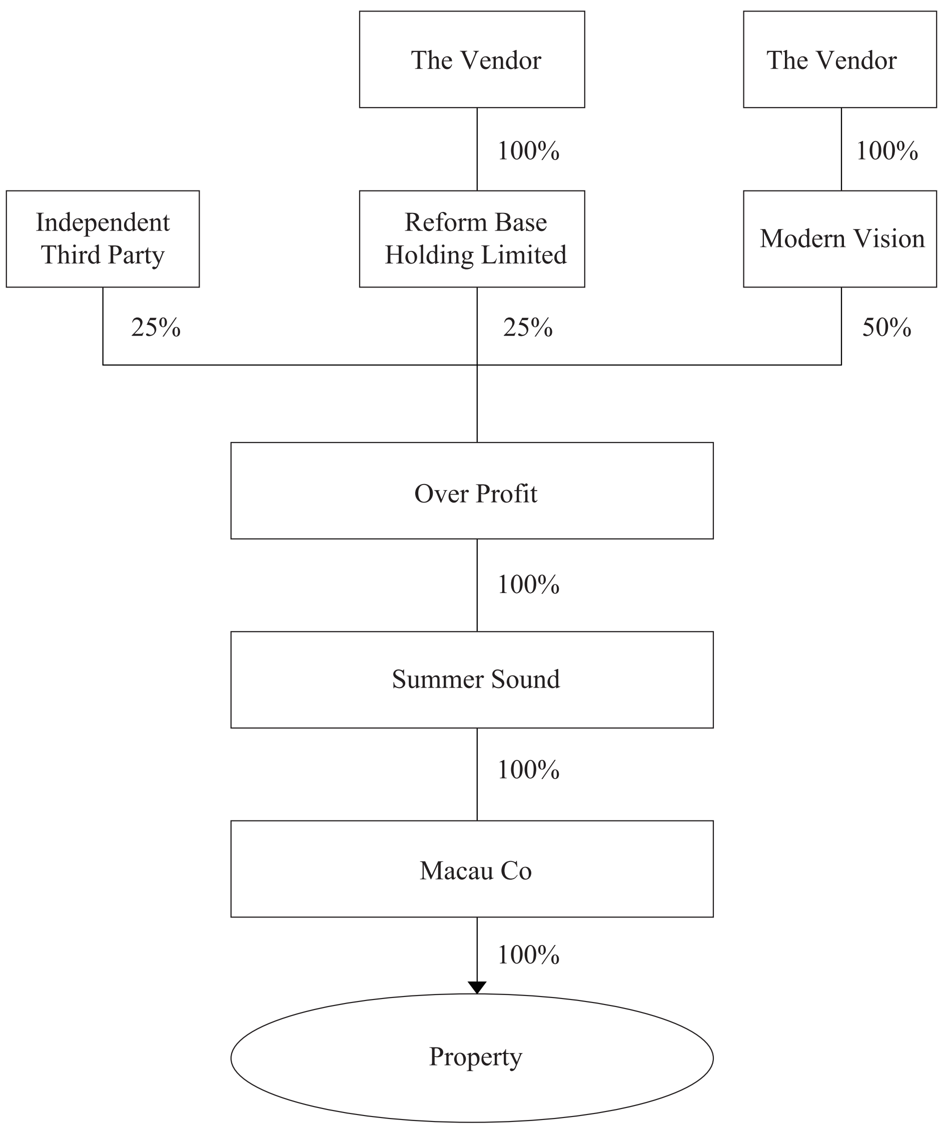
A property valuation on the Property had been conducted by DTZ Debenham Tie Leung Limited, an independent professional valuer appointed by the Company, on an open market basis valuing the Property at approximately HK$1,380,000,000 as at 31 August 2007.

According to the accountants' report on Macau Co as shown in Appendix V to this circular, the net liabilities value of Macau Co as at 31 December 2005 was HK$96,000. The net assets value of Macau Co as at 31 December 2006 and 31 May 2007 were HK$795,000 and HK$1,237,000 respectively. The loss attributable to the equity holders of Macau Co both before and after taxation for the year ended 31 December 2005 was HK$3,000. The profit attributable to the equity holders of Macau Co both before and after taxation for the year ended 31 December 2006 and the five months ended 31 May 2007 were HK$891,000 and HK$442,000 respectively.

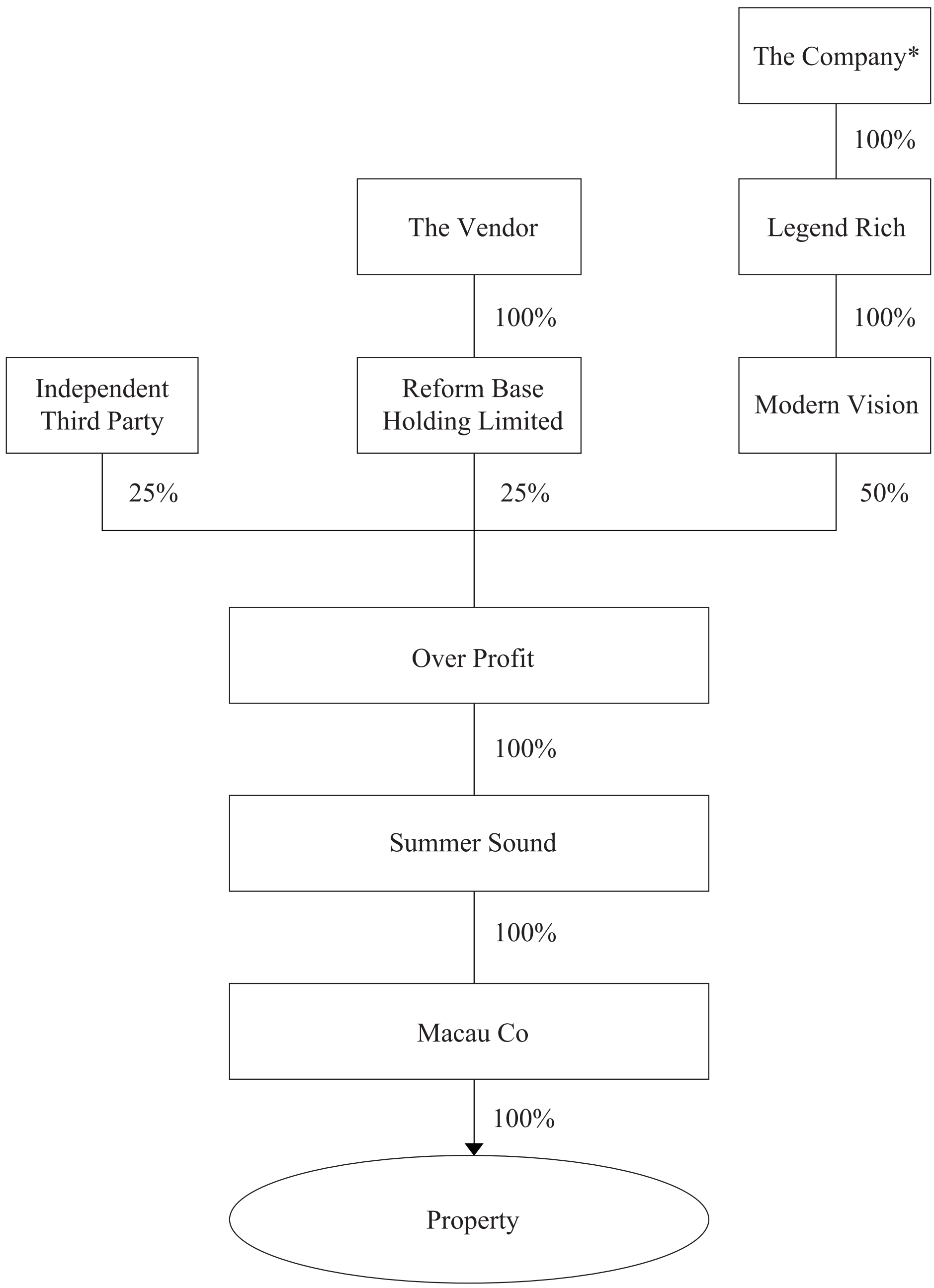
Shareholding Structure of Over Profit and its Subsidiaries

Set out below is the summarised shareholding structure of Over Profit and its subsidiaries before and after completion of the Acquisition:

Before



After



* 276,351,000 Shares, representing 21.24% of the issued share capital of the Company, are beneficially owned by Classical Statue Limited. Classical Statue Limited is a wholly-owned subsidiary of China Star Entertainment (BVI) Limited. China Star Entertainment (BVI) Limited is a wholly-owned subsidiary of China Star Entertainment Limited, a company listed on the Stock Exchange. China Star Entertainment Limited and China Star Entertainment (BVI) Limited are deemed to be interested in the Shares owned by Classical Statue Limited. The Vendor is a director of China Star Entertainment Limited, China Star Entertainment (BVI) Limited and Classical Statue Limited.

REASONS FOR AND FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Reasons and Benefits of the Acquisition

The principal activity of the Company is investment holding. The principal subsidiaries of the Company are principally engaged in the distribution of films, sub-licencing of film rights and sale of financial assets and property investment.

With the continuing growth of Macau's economy as well as its property market, the Directors (including the independent non-executive Directors) believe that the Acquisition can enhance the investment portfolio and future earnings of the Group and thus in the interests of the Company and the Shareholders as a whole.

Furthermore, the Directors believe that the Acquisition would enable the Group to diversify its businesses and broaden its revenue base which would have a positive impact on the Group's profitability given the Directors' positive outlook of the Macau property market in the near future.

Following Completion, Modern Vision and its subsidiaries will be treated as subsidiaries of the Company and their financial results (including those of Macau Co) will be consolidated into the Group.

The Acquisition is the proposed transaction referred to in the Company's announcement dated 12 June 2007. As to the negotiations of the Company as announced on 29 May 2007 in relation to another proposed acquisition of land in Macau, such negotiations are still ongoing but no formal terms or agreements have yet been finalised or signed as at the Latest Practicable Date.

Financial Effects of the Acquisition

Net assets

As at 30 June 2007, the audited consolidated net assets value of the Group attributable to the equity holders of the Company amounted to HK$652,822,000.

Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix VIII to this circular, the unaudited pro forma consolidated net assets value of the Enlarged Group attributable to the equity holders of the Company would be HK$871,520,000.

Earnings

It is intended that luxury residential apartments to be developed on the Property for sale. Given the strong fundamentals of the Macau economy and the positive outlook of the Macau property market, the Directors consider the Acquisition will contribute positively to the Enlarged Group but the quantification of such impact will depend on future performance of Macau Co.

Gearing ratio

As at 30 June 2007, the total borrowings of the Group was HK$269,400,000 and the Group's gearing ratio calculated as a percentage of total borrowings over total equity was 41%.

As set out in the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix VIII to this circular, the total borrowings of the Enlarged Group would be increased to HK$395,948,000 and the Enlarged Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders would be 45%.

PROSPECTS OF THE ENLARGED GROUP

As the Directors believe that the operating environment for film distribution in the PRC is not likely to improve in coming years, the best strategy for the Group is to slow down its film distribution business and seek other suitable investment opportunities to diversify its revenue base.

With the effect of the PRC's accession into the World Trade Organisation in place and 2008 Beijing Olympic Games, Beijing is expected to see an increasing number of expatriates from multinational companies and foreign government institutions, which will lead to continual increase in demand for high-end serviced apartments. The Group's investment properties located at No. 9 Gongyuan Xijie, Dongcheng District, Beijing, the PRC (the "Beijing Property") is under renovation and being transformed from an apartment complex into a high-end serviced apartment. Upon the completion of the renovation, the Beijing Property is expected to meet the demand. It is expected that the Beijing Property will commence operation in the fourth quarter of 2007. The Directors believe that the Beijing Property enables the Group to diversify its earnings base and provides the Group with a stable source of revenue, which will have a positive impact on the Group's profitability.

The Acquisition is in line with the Group's strategy to diversify its revenue base. As Macau has successfully established itself as a world-class gaming and leisure destination in Asia in recent years, Macau is one of the fastest growing economies in Asia. As Bloomberg reported in February 2007, Macau's economy has doubled in the last four years to US$12 billion, with the city now boasting a per capita income of US$24,000. According to the Macau Government figures, Macau residents are on a per capita basis now amongst the wealthiest in the region, second only to those of Japan, having recently overtaken Singapore. Macau's double-digit economic growth has spurred a "real and material demand for high-quality residence". In addition, an influx of expatriates working in casino properties, hotel properties, and convention and exhibition sector is also demanding high-quality residences. The Directors believe that the demand for high quality residential apartments will continue to grow in the foreseeable future.

Following Completion, Modern Vision and its subsidiaries will become subsidiaries of the Group. Upon Completion, whilst the Enlarged Group will continue to carry out its existing business, the Enlarged Group will carry out property investment and development business in Macau via Macau Co. As it is intended that luxury apartments be developed on the Property for sale, the Directors believe that the Acquisition will enable the Enlarged Group to diversify its businesses and broaden its revenue base which would have a positive impact on the Enlarged Group's profitability.

RECONCILIATIONS OF PROPERTY VALUATIONS ON THE PROPERTY AND THE INVESTMENT PROPERTIES HELD BY THE GROUP WITH THEIR CARRYING VALUES

The reconciliation between the appraised value of the Property as at 31 August 2007 with its carrying value as at 31 May 2007 as reflected in the accountants' report on the Summer Sound Group as set out in Appendix IV to this circular are as follows:

	HK$'000
The Property:	
Property valuation as at 31 August 2007 as set out in Appendix IXa	1,380,000
Carrying value as at 31 May 2007	(511,738)
Revaluation surplus	868,262

The reconciliation between the appraised values of the investment properties held by the Group as at 31 August 2007 with their carrying values as at 30 June 2007 as reflected in the interim financial statements of the Group for the six months ended 30 June 2007 are as follows:

	RMB'000	*HK$'000*
Investment properties:		
Property valuation as at 31 August 2007 as set out in Appendix IXb	754,000	776,620
Carrying value as at 30 June 2007	(680,659)	(701,079)
Additions from 1 July 2007 to 31 August 2007	(31,022)	(31,953)
Increase in fair value of investment properties	42,319	43,588

Note: RMB 1 = HK$ 1.03

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and not a major transaction as initially indicated when the request for suspension of the Shares was made. This was because the latest management accounts of Macau Co had not been provided to the Company at such time. As the Vendor is a connected person (as defined in the Listing Rules) of the Company, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to, among other things, the approval of the Independent Shareholders at the SGM. The Vendor and her associates shall abstain from voting at the SGM in respect of the resolution to approve the Acquisition.

There have been no previous transactions entered into between the Company and the Vendor that requires aggregation pursuant to Rule 14A.25 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all three independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the S&P Agreement and the Acquisition. Grand Cathay Securities (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

PROCEDURES FOR DEMANDING A POLL

Pursuant to bye-law 66 of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

(i) the chairman of the meeting; or

(ii) at least three Shareholders present in person or, in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) Shareholder or Shareholders present in person or, in the case of a Shareholder being a corporation by its duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(iv) Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised corporate representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

THE SGM

A notice convening the SGM to be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Wednesday, 21 November 2007 at 4:30 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the ordinary resolution to approve the entering into of the S&P Agreement, the Acquisition and the transactions contemplated thereunder is set out on pages 219 to 220 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, the branch share registrar and transfer office of the Company in Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the S&P Agreement and the Acquisition are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, considers the Acquisition is in the interests of the Company and its Shareholders as a whole and that the terms of the S&P Agreement and the Acquisition are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) recommend that all Shareholders should vote in favour of the ordinary resolution proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 18 of this circular, the letter from the Independent Financial Adviser set out on pages 19 to 31 of this circular and the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Riche Multi-Media Holdings Limited
Heung Wah Keung
Chairman

RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

5 November 2007

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF A 100% INTEREST IN THE ISSUED SHARE CAPITAL OF MODERN VISION (ASIA) LIMITED

We refer to the circular dated 5 November 2007 issued by the Company (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used therein unless the context requires otherwise.

We have been appointed to the Independent Board Committee to advise you in connection with the Acquisition, details of which are set out in the letter from the Board in the Circular. Grand Cathay Securities (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. Details of the advice from the Independent Financial Adviser together with the principal factors and reasons taken into consideration in arriving at such advice are set out on pages 19 to 31 of the Circular.

Having considered the terms of the S&P Agreement and the Acquisition, the interest of the Independent Shareholders, the principal factors and reasons considered by and the advice of the Independent Financial Adviser, we consider that the Acquisition is in the interests of the Company and its Shareholders as a whole and that the terms of the S&P Agreement are on normal commercial terms, in the ordinary course of business and fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the S&P Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee
Mr. Tang Chak Lam, Gilbert **Mr. Ho Wai Chi, Paul** **Mr. Lien Wai Hung**
Independent non-executive Directors

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Grand Cathay Securities (Hong Kong) Limited, the Independent Financial Adviser, dated 5 November 2007 prepared for incorporation in this circular.

大華證券(香港)

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5 November 2007

To the Independent Board Committee and the Independent Shareholders of Riche Multi-Media Holdings Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF A 100% INTEREST IN THE ISSUED SHARE CAPITAL OF MODERN VISION (ASIA) LIMITED

INTRODUCTION

We refer to the circular dated 5 November 2007 (the "Circular") issued by the Company to its Shareholders of which this letter forms part and to our appointment as financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the "Letter from the Board" (the "Letter") contained in the Circular and in which this letter is reproduced. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 23 July 2007, the Board announced that the S&P Agreement was entered into between the Purchaser and the Vendor on 19 July 2007, pursuant to which the Purchaser would acquire a 100% interest in Modern Vision, at an aggregate consideration of approximately HK$684 million (subject to adjustment). The consideration shall be satisfied in cash from internal resources of the Company, the net proceeds from the Open Offer and/or third party financing (which has not yet been determined).

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. As the Vendor is a connected person (as defined in the Listing Rules) of the Company, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to, among other things, the approval of the Independent Shareholders at the SGM. The Vendor and her associates shall abstain from voting at the SGM in respect of the resolution to approve the Acquisition.

The Independent Board Committee, comprising Mr. Tang Chak Lam, Gilbert, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the S&P Agreement are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. We advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular and provided to us by the management of the Company and the Directors, or the reasonableness of the opinions expressed by the management of the Company and the Directors. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on the Company that it has provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Acquisition, we have considered the following factors and reasons:

Acquisition

1. Reasons and effects of the Acquisition

(i) Business of the Group

The Group is principally engaged in the distribution of films, sub-licencing of film rights and sale of financial assets and property investment. According to the Company's annual reports for the financial year ended 31 December 2005 and 2006, the Directors consider that in view of rampant piracy and weak demand for Hong Kong-made movies in the PRC, Hong Kong film production companies adopt a cautious approach in investing films and such difficult operating environment placed strong pressure on the profitability of the Group's film distribution business. The turnover of the Group for distribution of films decreased from approximately HK$27 million in 2004 to approximately HK$164,000 in 2006 which represent a decrease of approximately 99.4% during the period and the turnover of the Group for sub-licensing of films rights decreased from approximately HK$16 million in 2004 to approximately HK$200,000 in 2006 which represent a decrease of over 98% during the period. According to Hong Kong Movie Archive, the number of Hong Kong-made movie published decreased from 122 in 2001 to 59 in 2006 and the box office also decreased from approximately HK$1,040 million to approximately HK$946 million during the same period.

In view of rampant piracy and weak demand for Hong Kong-made movies in the PRC, the Directors consider that it is the policy of the Company to diversify and broaden its revenue base which would have a positive impact on the Group's profitability. With the effect of the PRC's accession into the World Trade Organisation in place and 2008 Beijing Olympic Games, Beijing is expected to see an increasing number of expatriates from multinational companies and foreign government institution, the Group acquired 96.7% equity interest in a property located in Dongcheng District, Beijing, the PRC on 21 June 2006. The Directors believe that the aforesaid acquisition enables the Group to diversify its earnings base and provides the Group with a stable source of revenue.

With the continuing growth of Macau's economy as well as its property market, the Directors (excluding the independent non-executive Directors) believe that the Acquisition can enhance the investment portfolio and future earnings of the Group and is in line of the Group's policy to diversify its earnings base and thus in the interests of the Company and the Shareholders as a whole.

According to the data from Statistics and Census Service of Macau, the gross domestic product per capita increased from approximately MOP181,600 in 2004 to approximately MOP227,500 in 2006 which represent an increase of approximately 25% during the period. The number of residential units transacted increased from approximately 15,600 in 2004 to approximately 17,200 in 2006, the value of residential units transacted increased from approximately MOP10.5 billion to approximately MOP19.1 billion during the same period which represent an increase of approximately 82% during the period.

Based on (i) the recent poor movie industry condition; (ii) the Group's policy to diversify and broaden its revenue; and (iii) the recent upward trend of the economy and property market of Macau, we are of the view and concur with the view of the Directors that the Acquisition can enhance the investment portfolio and future earnings of the Group and, thus, is in the interests of the Company and the Shareholders as a whole.

(ii) Business of Modern Vision, Over Profit, Summer Sound and Macau Co

Information on Modern Vision

Modern Vision was incorporated in the British Virgin Islands with limited liability on 25 May 2007. Modern Vision is an investment holding company. The major asset of Modern Vision is its 50% equity interest in Over Profit. Other than holding the 50% equity interest in Over Profit, Modern Vision has not carried out any business since its date of incorporation.

Information on Over Profit

Over Profit was incorporated in the British Virgin Islands with limited liability on 20 April 2007. The principal activity of Over Profit is investment holding. On 19 July 2007, Over Profit acquired a 100% equity interest in Summer Sound. Other than holding the 100% equity interest in Summer Sound, Over Profit has not carried out any business since its date of incorporation.

Information on Summer Sound

Summer Sound was incorporated in the British Virgin Islands with limited liability on 30 January 2006. Summer Sound is an investment holding vehicle which indirectly holds a 100% equity interest in Macau Co. Other than indirectly holding the 100% equity interest in Macau Co, Summer Sound has not carried out any business since its date of incorporation.

Information on Macau Co

Macau Co was incorporated in Macau with limited liability on 20 June 1989. Macau Co is principally engaged in property investment and development in Macau, with its principal asset being the Property. The Property is a lot of land with an area of 4,669 square meters, named "Lote C7 do Plano de Urbanização da Baía da Praia Grande", located in the Nam Van Lakes Zone, at Avenida Doutor Stanley Ho, registered with the Macau Land and Real Estate Registry under no. 23070. The Property was leased to Macau Co for a term of 25 years commencing on 22 August 2001, and pursuant to the completion of the development, shall be automatically renewable for a period of 10 years until 19 December 2049, in accordance with the legislation in force in Macau. Under the Land Grant presently in force, the Property shall be developed with the construction of a building under strata title, for (i) housing 25,832 square meters; (ii) commerce 215 square meters; and (iii) private parking 3,930 square meters. Macau Co has submitted to the Macau Government an application to have the Land Grant amended. On 27 September 2006, the Macau Government sent Macau Co a draft of a contract of amendment to the Land Grant which contemplates the following as to construction purposes and gross floor areas (i) housing 59,160 square meters; (ii) commerce 1,700 square meters; (iii) private parking 12,966 square meters; (iv) public parking 9,821 square meters; (v) free area with equipment 428 square meters; and (iv) free area without equipment 2,308 square meters. On 2 October 2006, Macau Co sent a reply to the Macau Government accepting the draft contract of amendment to the Land Grant. The amendment to the Land Grant will be completed upon publication of the Gazette of the contract of amendment to the Land Grant.

It is intended that luxury residential apartments be developed on the Property for sale. As the amendment to the Land Grant is underway, the Property is vacant and pending for development.

A property valuation on the Property has been conducted by DTZ Debenham Tie Leung Limited (the "Valuer"), an independent professional valuer ("Valuation Report"), on an open market basis valuing the Property at approximately HK$1,380 million as at 31 August 2007.

Please refer to the section headed "Information on Modern Vision, Over Profit, Summer Sound and Macau Co" in the Letter for their detailed information.

(iii) Benefits of the Acquisition

According to the Company's annual report for the year ended 31 December 2006 (the "Annual Report"), the Group recorded a turnover of approximately HK$17.5 million, representing a decrease of approximately 54% to that of the previous year. According to the Directors, the substantial decrease in the Group's turnover was mainly due to (a) the decrease in the turnover generated from distribution of films (decreased from approximately HK$9.4 million, representing approximately 25% of total turnover in 2005, to approximately HK$164,000, representing approximately 1% of total turnover in 2006); and (b) the decrease in the turnover generated from the sub-licensing of film rights (decreased from approximately HK$11 million, representing approximately 27% of total turnover in 2005, to approximately HK$200,000, representing approximately 1% of total turnover in 2006). Amongst the turnover, approximately HK$15.2 million and HK$1.9 million came from the sale of financial assets and property investment respectively which representing approximately 87% and 11% of the Group's total turnover in 2006.

According to the data from Statistics and Census Service of Macau, the gross domestic product per capita increased from approximately MOP181,600 in 2004 to approximately MOP227,500 in 2006 which represent an increase of approximately 25% during the period. The number of casino increased from 15 in 2004 to 24 in 2006 and the gross gaming revenue increase from approximately MOP41 billion in 2004 to approximately MOP56.6 billion in 2006. The number of residential units transacted increased from approximately 15,600 in 2004 to approximately 17,200 in 2006, the value of residential units transacted increased from approximately MOP10.5 billion to approximately MOP19.1 billion during the same period which represent an increase of approximately 82% during the period. The Board is of the view that, with the continuing growth of Macau's economy, casino industry as well as its property market, the development of the Property has business potential and the Acquisition is beneficial to the Group and the Shareholders as a whole. Based on the above, we concur with the view of the Directors.

The Acquisition is in line with the medium term to long-term development objective of the Company which is to diversify its businesses according to the Directors. This will have to be weighted against the risks in developing the Property and selling the residential and commercial units developed on the Property. With regard to the sales of the residential and commercial units developed on the Property, we are of the view that since the Property is still under development and the construction work has not yet commenced and the pre-sale of the development has not yet started, it is impossible to assess with certainty the response of the market towards the residential and commercial units developed on the Property and thus the potential financial benefits to the Group. Independent Shareholders should note that the Directors' view regarding the positive outlook of the property market of Macau is based on the recent development of Macau' economy and the property market in Macau.

There is also the possibility of the Group conducting the Acquisition only after the completion of the Property to mitigate the uncertainties and risks involved. However, in the view of the Directors, in such an event, the valuation of the Property would likely be different and would likely to be higher.

Overall, based on: (i) the recent poor movie industry condition; (ii) the Group's policy to diversify and broaden its revenue; (iii) the recent economy performance of Macau; and (iv) the Acquisition is in line with the Group's business strategy, we are of the view and concur with the view of the Directors that the Acquisition is beneficial to the Group and the Shareholders as a whole.

2. Consideration and funding for the Acquisition

(i) Basis of the consideration

Pursuant to the S&P Agreement, the aggregate consideration for the Acquisition is HK$684 million which is payable in cash in three instalments as stated in the Letter. This consideration has been determined after arm's length negotiation between the Company and the Vendor on a "willing buyer-willing seller" basis having regards to (i) the Land Grant Figures and (ii) the price of adjacent plots of land to which the Property is situated. The Vendor had acquired its 75% interest in the Property based on the Land Grant Figures at a consideration of HK$1,026 million.

Although the determination of the Consideration is based on the "willing buyer-willing seller" basis between the Vendor and the Purchaser, we consider that it is more appropriate to assess the fairness of the Consideration based on the Valuation Report.

We have reviewed and discussed with the Valuer, the methodology and bases and assumption regarding the Valuation Report and are of the view that they are reasonably prepared. Further details can be found in the section headed "Valuation of the Property" below. Compared to the value of 50% equity interest of the Property which is of approximately HK$690 million accordingly to the Valuation Report, the Consideration represents a slight discount. We are of the view that the Consideration for the Acquisition is fair to the Group as it represents a discount to the value of the Property as stated in the Valuation Report.

(ii) Funding for the Acquisition

The Consideration under the S&P Agreement is approximately HK$684 million which will be satisfied, according to the Directors, in cash from internal resources of the Company, the net proceeds from the Open Offer and/or other methods of funding.

According to the Directors, as at the Latest Practicable Date, HK$390 million of the Consideration has been paid to the Vendor and the balance of HK$294 million will be paid on or before 8 April 2008. According to the Directors, HK$189 million out of the balance of approximately HK$294 million would be satisfied by the net proceeds from the Open Offer, while the funding method of the remaining balance has not yet confirmed as the payment date is on or before 8 April 2008. The Directors intend to settle the remaining balance by other methods of funding such as bank borrowing.

Notwithstanding the above, the Acquisition represents a significant commitment in the near future for the Group as the Property has been identified by the Group as one of its key investment in its business development. Given the funding requirements for the development of the Property as stated below, the Group's ability to venture into other businesses in the near term may be limited. The Group has therefore committed fully to the investment as it is convinced with the potential of the Property. Independent Shareholders should take into consideration that if the Acquisition is approved, the development of the Property will become one of the Group's main business development areas in addition to the Group's current businesses.

(iii) Funding for the future development and sales of the Property

According to the Directors, the estimated development costs for the Property is approximately HK$430 million, which is based on construction cost data/index available from quantity surveyors.

According to the Directors, as at the Latest Practicable Date, HK$390 million of the Consideration has been paid to the Vendor and the balance of HK$294 million, according to the Directors, will be paid on or before 8 April 2008. The Directors consider that the development cost i.e. approximately HK$430 million will be financed by bank borrowings and/or proceeds to be generated from the pre-sale of the residential section of the Property.

If the development and sales of the constructed Property are proved to be successful, the Group will likely achieve a satisfaction return on its investment. However, this will have to be weighted against the risks of the development of the Property and sales of the residential and commercial units on the Property. With regard to the development of the Property, we are of the view that since the development of the Property has not completed and the payment method for the development costs is yet to be determined, it is impossible to assess with certainty the costs of such development and the market reaction towards the Property and therefore it is impossible to work out the repayment ability and the potential financial benefits to the Group. Independent Shareholders should note that the projections of the Directors are based on the existing property markets in Macau, in light of the current economic condition in Macau.

(iv) Valuation of the Property

As set out in the Letter, the consideration of the Acquisition is determined based on the "willing buyer-willing seller" basis between the Purchaser and the Vendor, and with reference to the Land Grant Figures and the price of adjacent plots of land to which the Property is situated.

Although the determination of the Consideration is based on the "willing buyer-willing seller" basis between the Vendor and the Purchaser, we consider that it is more appropriate to assess the fairness of the Consideration based on the valuation report that prepared by the professional property valuer.

In assessing the fairness and reasonableness of the valuation, we have reviewed the methodology, bases and assumption underlying the Valuation Report.

(a) Methodology

It was stated in the Valuation Report that the Valuer used the direct comparison approach to value the Property. The Valuer adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant market.

(b) Bases and assumption

We have discussed with the Valuer regarding the basis of the valuation and the underlying assumptions which included the following:

(a) the owner of the Property has valid and enforceable title to the property interest which is freely transferable, and has free and uninterrupted right to use the same for the whole of the unexpired term granted subjected to a payment of annual government rent;

(b) the property interest of the Property is sold in the open market excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value;

(c) no allowance has been made in the valuations for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale; and

(d) the Property are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Having considered the above, we are of the view that the valuation performed by the valuer is fair.

(v) Business prospects and risks associated with the Property

(a) Business prospects

In an attempt to ascertain the prospects of the Property, we have reviewed (i) the budget prepared by the Company which illustrated the information regarding the estimated construction costs and the sale proceeds from the development of the Property; and (ii) the Valuation Report.

We are of the view that the budget is reasonably prepared and if such budget materialise, the Acquisition will provide financial benefits to the Group.

(b) Risks

As previously mentioned, we consider that there are uncertainties associated with the Acquisition notwithstanding the potential significant benefits and these uncertainties and risks included: (i) the commercial marketability of the residential and commercial units on the Property and the time as to when the Company can and will launch sale of the residential and commercial units on the Property; and (ii) the possible impact of investment loss to the Group in the event of failure to develop the Property or an ill-investment decision which led to financial loss to the Group.

Accordingly, we would like to point out the potential risks and returns associated with the Acquisition. The Property may or may not perform as projected, which will significantly affect the Group's financial performance. The Acquisition will, therefore, result in a significant change in the risk profile of the Group's businesses, which may or may not in accordance with the risk/return preferences of individual shareholders.

(vi) Financial effects of the Acquisition on the Group

The following sets out the impact of the Acquisition on the financial position of the Group:

(a) Net asset value

A pro forma statement of the unaudited adjusted combined assets and liabilities of the Enlarged Group comprising the Group, Modern Vision, Over Profit, and Summer Sound Group as set out in appendix VIII to the Circular was prepared using the unaudited net asset value of the Group as at 30 June 2007 and adjusted by the fund raising activities as announced by the Company on 25 June 2007 and 25 July 2007 and the valuation of the capital value of the property interest of the Property in existing state. Based on the aforesaid, upon the completion of the Acquisition, the unaudited pro forma net asset value of the Enlarge Group attributable to the equity holders of the Company would be approximately HK$871.5 million. We are of the view that since the unaudited net asset value of the Group would increase from approximately HK$652.8 million as at 30 June 2007, the latest published financial statement, to approximately HK$871.5 million upon the completion of the Acquisition, the Acquisition is beneficial to the Group and the Shareholders as a whole.

(b) Profit and loss account

According to appendix VIII to the Circular, a gain on the discount on acquisition of approximately HK$258.5 million will be generated from the Acquisition. According to the accounting policies of the Group, the gain on the discount on acquisition will be adjusted to the consolidated income statement of the Group.

It is intended that luxury residential apartments will be developed on the Property for sale. Given the strong fundamentals of Macau economy, the Directors consider the Acquisition will contribute positively to the Enlarged Group but the quantification of such impact will depend on the property market in Macau in the future.

(c) Gearing

As at 30 June 2007, the Group had total borrowing of approximately HK$269.4 million, representing a gearing ratio (which is calculated as the total borrowing divided by the net assets of the Group attributable to the equity holders of the Company) of approximately 41% thereof. Based on the unaudited pro forma financial information following Completion as set out in appendix VIII to the Circular, the unaudited total borrowing and net assets of the Enlarged Group attributable to the equity holders of the Company (including Modern Vision and its subsidiaries) would increase to approximately HK$395.9 million and HK$871.5 million respectively, representing a gearing ratio of approximately 45%. In view of the position, we consider that the level of gearing of the Enlarged Group (including Modern Vision and its subsidiaries) to be acceptable.

(d) Working capital

According to appendix VIII to the Circular, the Group had an unaudited net current assets of approximately HK$179.2 million as of 30 June 2007. On a pro forma basis, the Enlarged Group's net current assets will change to net current liabilities of approximately HK$538.0 million upon the completion of the Acquisition. We are of the view that the Enlarged Group should have sufficient working capital for its present requirement based on: (a) the working capital forecast prepared by the Group; and (b) the future funding requirements for the development of the Property which would be financed by other methods of funding such as bank borrowing and pre-sale of the residential section of the Property.

RECOMMENDATION ON THE ACQUISITION

In arriving at our conclusion that the terms of the Acquisition are in themselves fair and reasonable, we had considered the principal factors set out in detail above.

The Independent Board Committee is advised to ask the Independent Shareholders to carefully consider each of the above. Based on the above, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM in respect of the Acquisition.

Yours faithfully,
For and on behalf of
Grand Cathay Securities (Hong Kong) Limited

Kim Chan
Director

Kevin Chan
Director

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Track record of the Group

The table below sets out the consolidated income statements of the Group for each of the three years ended 31 December 2006 and the six months ended 30 June 2006 and 2007.

	Year ended 31 December			Six months ended 30 June	
	2006	**2005**	**2004**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	17,476	38,339	58,382	29,191	12,762
Cost of sales	(13,998)	(36,466)	(48,674)	(24,465)	(9,965)
Gross profit	3,478	1,873	9,708	4,726	2,797
Other revenue	5,699	2,066	390	1,307	3,090
Other income	5,560	7,110	—	122,593	4,430
Increase in fair value of investment properties	590	—	—	—	—
Administrative expenses	(26,811)	(19,332)	(36,266)	(15,656)	(10,789)
Selling expenses	—	(29)	(234)	—	—
Share-based payment expenses	—	—	—	(13,688)	—
Impairment loss recognised in respect of film rights	—	(8,956)	(16,213)	—	—
Impairment loss recognised in respect of other asset	—	—	(46,512)	—	—
Impairment loss recognised in respect of goodwill	—	(12,056)	(28,072)	—	—
Impairment loss recognised in respect of available-for-sale financial assets	—	—	(12,000)	—	—
Allowance for advances to an associate	—	—	(138,531)	—	—
(Loss)/profit from operations	(11,484)	(29,324)	(267,730)	99,282	(472)
Finance costs	(9,615)	(340)	(340)	(8,334)	(668)
(Loss)/profit before taxation	(21,099)	(29,664)	(268,070)	90,948	(1,140)
Taxation	(195)	—	(277)	—	—
(Loss)/profit for the year/ period	(21,294)	(29,664)	(268,347)	90,948	(1,140)

Overview

The Group is principally engaged in the distribution of films, sub-licensing of film rights and sale of financial assets and property investment.

The table below sets out the breakdown of the Group's turnover by major business activities for the three years ended 31 December 2006 and the six months ended 30 June 2006 and 2007.

	Year ended 31 December			Six months ended 30 June	
	2006	**2005**	**2004**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Distribution of films	164	9,382	27,285	—	122
Sub-licensing of film rights	200	10,534	16,319	—	200
Sale of financial assets at fair value through profit or loss	15,229	18,423	14,778	27,575	12,440
Rental income	1,883	—	—	1,616	—
	17,476	38,339	58,382	29,191	12,762

Distribution of films

The Group distributes its films in video format for home entertainment in the PRC.

In 2004, the film distribution business was adversely affected by the rampant piracy and a decline in popularity of Hong Kong-made movies. These difficult market conditions placed price pressure on the Group's films. As a result, the Group became more cost cautions in acquiring film rights and reduced the number of new films released.

In response to the weak market conditions in the PRC, the Group adopted a cautious approach in acquiring film rights and further reduced the number of new films released in 2005 and 2006.

Sub-licensing of film rights

The Group sub-licenses the whole or part of its distribution rights to films to cinema operators, other distributors or operators of pay or free-to-air television, cable television and hotel in-house video for a limited period of usually five to seven years.

The lifting of foreign film quota restrictions by the PRC Government in 2004 intensifies the competition between Hollywood and Hong Kong. As the PRC first-tier cinemas have strong preference for exhibiting Hollywood films and the local television stations illegally broadcast the Group's films, the film sub-licensing business was adversely affected.

Sale of financial assets

With a view to generating an adequate return on its assets, the Group commenced its business in sale of financial assets in 2004. The Group mainly invests in listed securities in Hong Kong.

Property investment

In view of rampant piracy and weak demand for Hong Kong-made movies in the PRC, the Group has diversified and broadened its revenue sources by acquiring a property investment company in June 2006. The major asset of the property investment company is the Beijing Property. The Beijing Property is currently held as a long-term investment for rental purposes.

As the Beijing Property is under renovation, no rental income is generated from the apartment units. The rental income for the year ended 31 December 2006 and the six months ended 30 June 2007 were generated from the leasing of the ground floor of the Beijing Property.

Analysis on the results of operation of the Group during the three years ended 31 December 2006 and the six months ended 30 June 2006 and 2007

Turnover

The Group's turnover for the year ended 31 December 2004 amounted to HK$58,382,000, representing a decrease of 72% as compared with the year ended 31 December 2003. The decrease was mainly attributed to a decrease in the number of films distributed and sub-licensed, and a decrease in average income per new film resulting from the rampant piracy and the decline in popularity of Hong Kong-made movies in the PRC.

For the year ended 31 December 2005, the Group's turnover amounted to HK$38,339,000, a 34% decrease from HK$58,382,000 for the previous year. The decrease was mainly attributable to a decrease in the number of films distributed and sub-licensed resulting from the adopting of a cautious approach in acquiring film rights by the Group.

The Group's turnover further decreased from HK$38,339,000 for the year ended 31 December 2005 to HK$17,476,000 for the year ended 31 December 2006. The decrease was mainly attributable to the slow down of the Group's film distribution activities resulted from the difficult market conditions.

The Group recorded a turnover of HK$29,191,000 for the six months ended 30 June 2007, a 129% increase from HK$12,762,000 for the same period of the previous year. The increase was mainly attributable to the increase in sales of financial assets activity. In view of the persisted difficult market conditions for Hong Kong-made movies in the PRC, the Group has slowed down its film distribution business. As a result, no revenue was generated from film distribution business during the six months ended 30 June 2007.

Cost of sales and gross profit margin

The Group's cost of sales for the year ended 31 December 2004 amounted to HK$48,674,000, out of which HK$16,238,000 was related to sale of financial assets. During the year, the Group's sale of financial assets recorded a loss of HK$1,460,000. Cost of sales for film distribution and sub-licensing of film rights decreased from HK$61,180,000 in the year ended 31 December 2003 to HK$32,436,000 in the year ended 31 December 2004. The decrease was mainly attributable to a decrease in amortisation of film rights, which was the result of distributing and sub-licensing a less number of films in the year ended 31 December 2004. Gross profit margin for the distribution and sub-licensing businesses dropped from 70% in the year ended 31 December 2003 to 26% in the year ended 31 December 2004. This was attributed to the decrease in average income per new film resulted from the rampant privacy, the decline in popularity of Hong Kong films and the better margins the Group obtained from the distribution business through the sale of 320 old film rights in the year ended 31 December 2003, the cost of which had almost been fully amortised.

Cost of sales for the year ended 31 December 2005 amounted to HK$36,466,000, out of which HK$20,374,000 was related to sale of financial assets. During the year ended 31 December 2005, the Group's sale of financial assets recorded a loss of HK$1,951,000. Taking into account the dividend income of HK$627,000 recorded in other revenue, the performance of the Group's sale of financial assets was a loss of HK$1,324,000. Cost of sales for film distribution and sub-licensing of film rights decreased from HK$32,436,000 in the year ended 31 December 2004 to HK$16,092,000 in the year ended 31 December 2005. The decrease was attributable to a decrease in amortisation of film rights resulting from the decrease in the number distributed and sub-licensed. Gross profit margin for film distribution and sub-licensing of film rights dropped from 26% in the year ended 31 December 2004 to 19% in the year ended 31 December 2005. The drop in gross profit margin was attributed to the better margins the Group obtained from the delivery of 108 old films in 2004, the cost of which had already been almost fully amortised.

Cost of sales for the year ended 31 December 2006 amounted to HK$13,998,000, out of which HK$13,461,000 was related to sale of financial assets and HK$271,000 was related to property investment. Cost of sales for film distribution and sub-licensing of film rights decreased from HK$16,092,000 for the year ended 31 December 2005 to HK$266,000 for the year ended 31 December 2006. The decrease was attributed to the slow down of the Group's film distribution activities. Gross profit margin for film distribution and sub-licensing of film rights improved from 19% in the year ended 31 December 2005 to 27% in the year ended 31 December 2006.

The improvement in gross profit margin was attributed to the cost of certain films sold in 2006 had already been fully amortised. For the year ended 31 December 2006, the Group recorded a gross profit of HK$1,768,000 for sales of financial assets. Taking into account the dividend income of HK$754,000 and an increase in fair value of financial assets at fair value through profit or loss of HK$5,360,000, the performance of the Group's sale of financial assets was a profit of HK$7,882,000.

Cost of sales for the six months ended 30 June 2007 amounted to HK$24,465,000, out of which HK$24,345,000 was related to sales of financial assets and HK$120,000 was related to property investment. For the six months ended 30 June 2007, the Group recorded a gross profit of HK$3,230,000 for sales of financial assets, a 23% increase from HK$2,618,000 for the same period of the previous year. Taking into account the dividend income of HK$30,000 and the increase in fair value of financial assets at fair value through profit or loss of HK$15,637,000, the performance of the Group's sales of financial assets was a profit of HK$18,897,000. Gross profit of property investment amounted to HK$1,496,000 for the six months ended 30 June 2007. As the Beijing Property is currently under renovation, the contribution represented the rental income generated from the leasing of the ground floor of the Beijing Property to a restaurant operator.

Other revenue

Other revenue usually comprised dividend income from financial assets at fair value through profit or loss, interest income on bank deposits and sundry income.

Other revenue increased from HK$390,000 in the year ended 31 December 2004 to HK$2,066,000 in the year ended 31 December 2005. The increase was mainly attributed to an increase in bank interest income of HK$1,399,000 resulting from the increase in the Group's bank deposits and the receipt of dividend income of HK$627,000 from the Group's financial assets at fair value through profit or loss.

Other revenue further increased from HK$2,066,000 in the year ended 31 December 2005 to HK$5,699,000 in the year ended 31 December 2006. The increase was mainly attributed to an increase in bank interest income of HK$2,975,000 resulting from the top-up placing of new shares raising HK$131,179,000 in September 2005.

Other revenue decreased from HK$3,090,000 in the six months ended 30 June 2006 to HK$1,307,000 in the six months ended 30 June 2007. The decrease was mainly attributed to a decrease in interest income on bank deposits of HK$1,238,000.

Other income

For the year ended 31 December, 2005, other income represented a gain of HK$7,110,000 arising from the sale of the Group's leasehold land and buildings in July 2005.

Other income for the year ended 31 December 2006 amounted to HK$5,560,000 and was mainly derived from the increase in fair value of financial assets at fair value through profit or loss, which amounted to HK$5,360,000.

For the six months ended 30 June 2007, other income amounted to HK$122,593,000. It represented the increase in fair value of financial assets at fair value through profit or loss of HK$15,637,000 and a gain of HK$106,956,000 arising from the loan interest waived by China Merchants Bank.

Loss/profit from operations

The Group recorded a loss from operations of HK$267,730,000 for the year ended 31 December 2004. The loss was mainly attributed to the decrease in turnover resulted from a decline in popularity of Hong Kong-made movies and rampant privacy in the PRC, an allowance made for advances to an associate of HK$138,531,000 and the impairment losses of HK$102,797,000 recognised in respect of film rights, other asset, goodwill and available-for-sale financial assets.

Loss from operations improved from HK$267,730,000 in the year ended 31 December 2004 to HK$29,324,000 in the year ended 31 December 2005. The improvement was mainly attributable to the fact that the Group did not record any allowance for advances to an associate and impairment losses for other asset and available-for-sale financial assets in 2005, while the Group recorded such allowance of HK$138,531,000 and impairment losses of HK$58,512,000 in 2004. In addition, the impairment losses recognised in respect of film rights and goodwill decreased from HK$44,285,000 in the year ended 31 December 2004 to HK$21,012,000 in the year ended 31 December 2005

Loss from operations further improved from HK$29,324,000 in the year ended 31 December 2005 to HK$11,484,000 in the year ended 31 December 2006. The improvement was mainly attributable to the fact that the Group did not record any impairment losses recognised in respect of film rights and goodwill in the year ended 31 December 2006, while the Group recorded such impairment losses of HK$21,012,000 in the previous year. This improvement was partly offset by the increase in administrative expenses of HK$7,479,000 resulted from the Group's expansion into property investment business.

Profit from operations amounted to HK$99,282,000 in the six months ended 30 June 2007, whereas a loss from operations of HK$472,000 was recorded for the same period of the previous year. This was attributable to the recognition of a gain of HK$106,956,000 arising from the loan interest waived by China Merchants Bank in the six months ended 30 June 2007. The gain on loan interest waived was partially offset by the share-based payment expenses of HK$13,688,000.

Taxation

The Group recorded a taxable profit for the year ended 31 December 2004 and a provision of HK$277,000 was made.

No provision for tax was made for the year ended 31 December 2005 as the Group either had no estimated assessable profits or its estimated assessable profits were wholly absorbed by estimated tax losses brought forward.

The taxation charge for the year ended 31 December 2006 represented a transfer of deferred tax to income statement, which was arisen from the revaluation of the Group's investment properties.

No provision for tax was made for the six months ended 30 June 2007 as the Group had no estimated assessable profit or taxable income.

Loss/profit for the year/period

Loss for the year ended 31 December 2004 improved from HK$268,347,000 to HK$29,664,000 for the year ended 31 December 2005. The substantial improvement was mainly attributed to an allowance of HK$138,531,000 made against advances to an associate and the impairment losses of HK$58,512,000 recognised in respect of other asset and available-for-sale financial assets in 2004. In addition, the Group recorded a decrease in impairment losses recognised in respect of film rights and goodwill as explained above.

Loss further improved from HK$29,664,000 for the year ended 31 December 2005 to HK$21,294,000 for the year ended 31 December 2006. The improvement was mainly attributable to no impairment losses recognised in respect of film rights and goodwill, which was partially offset by the increases in administrative expenses of HK$7,479,000 and finance costs of HK$9,275,000 resulted from the Group's expansion into property investment business.

The Group recorded a profit of HK$90,948,000 for the six months ended 30 June 2007, whereas the Group recorded a loss of HK$1,140,000 in the six months ended 30 June 2006. The turnaround was attributable to the recognition of a gain of HK$106,956,000 arising from the loan interest waived by China Merchants Bank, which was partially offset by the share-based payment expenses of HK$13,688,000 in relation to share options granted to certain employees and consultants.

Analysis on the financial position of the Group during the three years ended 31 December 2006 and the six months ended 30 June 2007

Liquidity and financial resources

During the three years ended 31 December 2006 and the six months ended 30 June 2007, the Group funded its operations mainly from cash generated from operations, the convertible notes payable issued by the Company to First-Up Investments Limited ("First-Up"), a wholly-owned subsidiary of China Star Entertainment Limited ("China Star"), issuance of new shares, a one-year term loan granted by China Star and bank borrowings. In the years ended 31 December 2004 and 2006 and the six months ended 30 June 2007, the Group's net cash used in operating activities amounted to HK$36,414,000, HK$61,710,000 and HK$17,269,000 respectively. In the year ended 31 December 2005, the net cash generated from operating activities was HK$14,393,000.

As at 31 December 2004, the cash and bank balances of the Group amounted to HK$15,460,000 and the total borrowings of the Group amounted to HK$33,808,000, comprising the convertible notes payable of HK$33,800,000 issued by the Company to First-Up (the "First-Up Convertible Notes"), which was unsecured, interest bearing at 1% per annum and maturing on 19 April 2005; and the obligations under a finance lease of HK$8,000 which was secured, interest bearing and maturing on 5 April 2005. The Group's gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 49%.

In September 2005, the Company issued 400,000,000 new shares of HK$0.01 each at a price of HK$0.34 per share by way of a vendor placing and top-up subscription raising HK$131,179,000 (net of expenses). On 19 April 2005, the First-Up Convertible Notes matured. First-Up did not exercise the right to convert the outstanding principal amount of the First-Up Convertible Notes into the shares of the Company and the Group repaid HK$33,800,000 to First-Up. On the same date, China Star granted a one-year term loan of HK$33,800,000 to the Company. As at 31 December 2005, the cash and bank balances of the Group amounted to HK$137,973,000 and total borrowings amounted to HK$33,800,000 representing the one-year term loan of HK$33,800,000 granted by China Star, which was unsecured, interest bearing at 1% per annum and maturing on 19 April 2006. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 20%.

As at 31 December 2006, the cash and bank balances of the Group amounted to HK$63,140,000 and the total borrowings of the Group amounted to HK$357,427,000, comprising the RMB secured term loan facility granted by Hang Seng Bank of HK$250,470,000 which is secured by the Beijing Property interest bearing at 95% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within five years; and the interest portion of the RMB secured bank loan granted by China Merchants Bank of HK$106,957,000. On 23 March 2007, China Merchants Bank agreed to waive the interest portion of HK$106,957,000. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 89%.

As at 30 June 2007, the cash and bank balances of the Group amounted to HK$203,961,000 and the total borrowings of the Group amounted to HK$269,400,000, representing the RMB secured term loan facility granted by Hang Seng Bank which is secured by the Beijing Property, interest bearing at 95% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within 4.5 years. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 41%.

Charges on assets

As at 31 December 2004 and 2005, the Group did not have any mortgage or charge.

As at 31 December 2006, the Beijing Property with a fair value of HK$678,000,000 was pledged to Hang Seng Bank to secure the RMB secured term loan facility.

As at 30 June 2007, the Beijing Property with a fair value of HK$701,079,000 was pledged to Hang Seng Bank to secure the RMB secured term loan facility.

Net current assets

The net current assets of the Group amounted to HK$45,208,000, HK$164,020,000, HK$53,882,000 and HK$179,223,000 as at 31 December 2004, 2005 and 2006 and 30 June 2007 respectively.

The current ratios of the Group as at 31 December 2004, 2005 and 2006 and 30 June 2007 were 1.7, 3.4, 1.5 and 2.57 respectively.

Material acquisitions and disposals of subsidiaries and associated companies

In March 2004, the Group acquired 40% of the issued share capital of Rainbow Choice Enterprises Limited ("Rainbow Choice") by investing HK$30,000,000. Rainbow Choice engaged in the business of producing and distributing of entertainment news programmes in the PRC. The acquisition facilitated the Group's expansion into the PRC television advertising business. As the performance of Rainbow Choice was not satisfactory, the Group entered into an agreement with the other shareholder of Rainbow Choice in April 2005. Under the agreement, the Group would own the intellectual property rights of the contents produced by Rainbow Choice and the other shareholder of Rainbow Choice would repay the production and distribution fees of HK$18,000,000 to the Group.

In April 2005, the Group exercised its right to convert the outstanding principal amount of the convertible notes of HK$160,000,000 issued by Gainful Fortune Limited into the shares of Gainful Fortune Limited. Gainful Fortune Limited and Ocean Shores Licensing Limited became subsidiaries of the Company.

In June 2006, the Group acquired (a) 100% of the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and (b) the debts owed by Shinhan-Golden to Northbay Investments Holdings Limited ("Northbay"), at an aggregate consideration of HK$266,064,350 (the "Acquisition I"). Shinhan-Golden is an investment holding vehicle and its major asset is the 96.7% equity interest in Beijing Jian Guo Real Estate Development Co. Ltd. ("Beijing Jianguo"). Beijing Jianguo is the registered owner of the Beijing Property.

In May 2007, the Group entered into a joint venture agreement with Steve Leung Hotel Design and Management Limited ("SLHDML"), a company beneficial owned by Mr. Steve Leung, for the purpose of setting up of a joint venture company, namely Best Season Holdings Corp. ("Best Season"). Best Season is owned as to 75% by the Company and as to 25% by SLHDML. Best Season has been established to invest in, manage and conduct branding for real estate and/or related properties in Macau including but not limited to hotel(s), serviced apartment(s), restaurant(s), retail(s), catering(s), resort(s), club(s), residential(s) and any other service position.

Save as disclosed above, the Group made no material acquisitions or disposals of subsidiaries and associated companies during the three years ended 31 December 2006 and the six months ended 30 June 2007.

Contingent liabilities

As at 31 December 2004 and 2005, the Group did not have any material contingent liabilities.

As at 31 December 2006 and 30 June 2007, the Group had the following contingent liabilities:

(a) A writ of summons and statement of claim was made by CL3 Architects Limited against Beijing Jianguo for a claim of approximately HK$2,500,000 over the design contracts for the investment properties with Beijing Jianguo. Subsequent to 31 December 2006, a verdict was issued by the PRC Court that Beijing Jianguo was liable to pay HK$2,500,000 to CL3 Architects Limited. Beijing Jianguo has appealed to Beijing City Supreme People's Court. Up to the Latest Practicable Date, Beijing City Supreme People's Court is processing the appeal.

(b) A writ of summons and statement of claim was made by ICBC against Beijing Jianguo for a claim of approximately RMB1,197,000 (or approximately HK$1,197,000) over the non-repayment of a mortgage loan granted to a owner (the "Borrower") of an apartment unit in the Group's investment properties. The Borrower purchased the apartment unit from Beijing Jianguo in 2001 and the legal title of the apartment unit has not yet been transferred from Beijing Jianguo to the Borrower. On 15 December 2006, the PRC court made a verdict that Beijing Jianguo was liable to pay RMB1,197,000 if the Borrower failed to pay RMB1,197,000 to ICBC. Beijing Jianguo had appealed to the PRC court. Subsequent to 30 June 2007, Beijing Jianguo paid the claim of approximately RMB1,197,000 (or approximately HK$1,197,000) to ICBC.

Capital structure

On 21 December 2004, the Company announced that every one share of HK$0.10 each in the issued and unissued share capital of the Company be subdivided into ten shares of HK$0.01 each in the issued and unissued share capital of the Company. The share subdivision was approved by the Shareholders on the special general meeting of the Company held on 14 January 2005. The share subdivision took effect on 17 January 2005.

In September 2005, the Company issued 400,000,000 new shares of HK$0.01 each at a price of HK$0.34 per share by way of a vendor placing and top-up subscription raising HK$131,179,000 (net of expenses) for investment in other relevant business opportunities that might arise in the future and general working capital of the Group.

In June 2006, the Company issued 1,330,321,745 new shares of HK$0.01 each at price of HK$0.20 per share to Northbay to settle the consideration of HK$266,064,350 in respect of the Acquisition I.

In March 2007, the Company issued 1,296,860,000 new shares of HK$0.01 each at a price of HK$0.04 per share by way of a vendor placing and top-up subscription raising HK$50,500,000 (net of expenses) for financing possible diversified investments of the Group and general working capital of the Group.

On 4 April 2007, the Company announced that every ten share of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one shares of HK$0.10 each in the issued and unissued share capital of the Company. The share consolidation was approved by the Shareholders on the special general meeting of the Company held on 18 May 2007. The share consolidation took effect on 21 May 2007.

On 17 May 2007, the Company issued 324,000,000 new shares of HK$0.01 each at an exercise price of HK$0.047 per share pursuant to the exercise of share options granted to the Group's employees.

On 31 May 2007, the Company issued 155,620,000 new shares of HK$0.10 each at a price of HK$0.55 per share raising HK$83,300,000 (net of expenses) for financing possible diversified investments of the Group and general working capital of the Group.

Save as disclosed above, there was no change in the equity capital structure of the Company for the three years ended 31 December 2006 and the six months ended 30 June 2007.

Exchange risk and hedging

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Reminbi, the exchange rate risk of the Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes were used by the Group for the three years ended 31 December 2006 and the six months ended 30 June 2007.

Staff, remuneration policies and share option scheme

As at 31 December 2004, 2005 and 2006 and 30 June 2007, the Group employed 41, 28, 59 and 53 staff respectively. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include medical scheme and share options.

MANAGEMENT DISCUSSIONS AND ANALYSIS ON MACAU CO

Track record of Macau Co

The table below sets out the income statements of Macau Co for each of the three years ended 31 December 2006 and the five months ended 31 May 2006 and 2007.

	Year ended 31 December			Five months ended 31 May	
	2004	**2005**	**2006**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other revenue	1	1	922	165	446
Other income	3	—	—	—	—
Administrative expenses	(2)	(4)	(31)	(31)	(4)
Profit/(loss) before tax	2	(3)	891	134	442
Taxation	—	—	—	—	—
Profit/(loss) for the year/period	2	(3)	891	134	442

Overview

Macau Co is principally engaged in property investment and development in Macau, with its principal asset being that of the Property. The Property is a lot of land with the area of 4,669 square meters, named "Lote C7 do Plano de Urbanização da Baía da Praia Grande", located in the Nam Van Lakes Zone, at Avenida Doutor Stanley Ho, registered with the Macau Land and Real Estate Registry under no. 23070. The Property was leased to Macau Co for a term of 25 years commencing on 22 August 2001, and pursuant to the completion of the development, shall be automatically renewable for a period of 10 years until 19th December, 2049, in accordance with the legislation in force in Macau. Under the Land Grant presently in force, the Property shall be developed with the construction of a building under strata title, for (i) housing 25,832 square meters; (ii) commence 215 square meters; and (iii) private parking 3,930 square meters. Macau Co has submitted to the Macau Government an application to have the Land Grant amended. On 27 September 2006, the Macau Government sent Macau Co a draft of contract of amendment to the Land Grant which contemplates the following as to construction purposes and gross floor areas (i) housing 59,160 square meters; (ii) commerce 1,700 square meters; (iii) private parking 12,966 square meters; (iv) public parking 9,821 square meters; (v) free area with equipment 428 square meters; (iv) free area without equipment 2,308 square meters. On 2 October 2006, Macau Co sent a reply to the Macau Government accepting the draft contract of amendment to the Land Grant. The amendment to the Land Grant will be completed upon publication of the Gazette of the contract of amendment to the Land Grant.

It is intended that luxury residential apartments be developed on the Property for sale. As the amendment to the Land Grant is underway, the Property is vacant and pending for development.

As Macau Co has not carried out any business or trading, no sale or turnover was recorded for each of the three years ended 31 December 2006 and the five months ended 31 May 2007.

Analysis on the results of operation of Macau Co during the three years ended 31 December 2006 and the five months ended 31 May 2007

Other revenue

Other revenue comprised bank interest income.

Other revenue increased from HK$1,000 in the year ended 31 December 2005 to HK$922,000 in the year ended 31 December 2006. The increase was attributed to an increase in bank balance resulted from cash advanced from a director.

Other revenue increased from HK$165,000 in the five months ended 31 May 2006 to HK$446,000 in the five months ended 31 May 2007. The increase was due to the full five-month effect of bank interest income on bank deposits as the cash advance was made by a director in the second quarter of 2006.

Taxation

No provision for profits tax was made for each of three years ended 31 December 2006 and the five months ended 31 May 2006 and 2007 as Macau Co did not have any assessable profit.

Profit/(loss) for the year/period

As Macau Co has not carried out any business and trading activities, Macau Co recorded minimal profit for the year ended 31 December 2004 and 2006, and the five months ended 31 May 2007 of HK$2,000, HK$891,000 and HK$442,000 respectively. For the year ended 31 December 2005, Macau Co recorded a loss of HK$3,000. The improvements in profit for the year ended 31 December 2006 and the five months ended 31 May 2007 were attributed to the increase in bank interest income resulted from the increase in cash and bank balances since the second quarter of 2006.

Analysis on the financial position of Macau Co during the three years ended 31 December 2006 and the five months ended 31 May 2007

Liquidity and financial resources

During the three years ended 31 December 2006 and the five months ended 31 May 2007, Macau Co funded its operation mainly from cash advanced from a director and a shareholder, and bank borrowings.

As at 31 December 2004, the cash and cash equivalents of Macau Co amounted to HK$436,000 and the total borrowings of Macau Co amounted to HK$99,837,000, comprising a general banking facility granted by a bank in Macau of HK$50,000,000 which was secured, interest bearing at HIBOR plus 0.2% per annum and maturing on 28 February 2008; the amount due to a director of HK$38,218,000 which was unsecured, interest-free and repayable on demand; and the amount due to a shareholder of HK$11,619,000 which was unsecured, interest-free and repayable on demand.

As at 31 December 2005, the cash and cash equivalents of Macau Co amounted to HK$320,000 and the total borrowings of Macau Co amounted to HK$105,928,000, comprising two general banking facilities granted by a bank in Macau of HK$75,000,000 which were secured, interest bearing at HIBOR plus 0.2% per annum and maturing on 28 February 2008; the amount due to a director of HK$21,410,000 which was unsecured, interest-free and repayable on demand; and the amount due to a shareholder of HK$9,518,000 which was unsecured, interest-free and repayable on demand.

As at 31 December 2006, the cash and cash equivalents of Macau Co amounted to HK$34,380,000 and the total borrowings of Macau Co amounted to HK$126,471,000, comprising two general banking facilities granted by a bank in Macau of HK$75,000,000 which was secured, interest bearing at HIBOR plus 0.2% per annum and maturing on 28 February 2008; and the amount due to a director of HK$51,471,000 which was unsecured, interest-free and repayable on demand.

As at 31 May 2007, the cash and cash equivalents of Macau Co amounted to HK$32,716,000 and the total borrowings of Macau Co amounted to HK$126,548,000, comprising two general banking facilities granted by a bank in Macau of HK$75,000,000 which were secured, interest bearing at HIBOR plus 0.2% per annum and maturing on 28 February 2008; and the amount due to a director of HK$51,548,000 which was unsecured, interest-free and repayable on demand.

Charges on assets

As at 31 December 2004, 2005 and 2006 and 31 May 2007, the Property was pledged to a bank to secure the general banking facilities granted to Macau Co.

Net current liabilities

The net current liabilities of Macau Co amounted to HK$97,336,000, HK$101,443,000, HK$250,107,000 and HK$251,848,000 as at 31 December 2004, 2005 and 2006 and 31 May 2007 respectively.

The current ratios of Macau Co as at 31 December 2004, 2005 and 2006 and 31 May 2007 were 0.03, 0.04, 0.12 and 0.12 respectively.

Material acquisitions and disposals of subsidiaries and associated companies

During the three years ended 31 December 2006 and the five months ended 31 May 2007, there were no material acquisitions and disposals carried out by Macau Co.

Contingent liabilities

As at 31 December 2004, 2005 and 2006 and 31 May 2007, Macau Co did not have any material contingent liabilities.

Capital structure

During the three years ended 31 December 2006 and the five months ended 31 May 2007, there was no change in the equity capital structure of Macau Co.

Exchange risk and hedging

As the majority of the Macau Co's transactions, assets and liabilities are denominated in Macau Pataca and Hong Kong dollars, the exchange rate risk of Macau Co is considered to be minimal. Accordingly, no financial instruments for hedging purposes were used by Macau Co for the three years ended 31 December 2006 and the five months ended 31 May 2007.

Staff and remuneration policies

As at 31 December 2004, 2005 and 2006 and 31 May 2007, Macau Co had no employee.

The following is the text of an accountants' report on Modern Vision (Asia) Limited received from HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, the reporting accountants, for the sole purpose of inclusion in this circular.

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

5 November 2007

The Directors
Riche Multi-Media Holdings Limited
Room 3408, 34th Floor
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Modern Vision (Asia) Limited ("Modern Vision") for the period from 25 May 2007 (date of incorporation) to 31 May 2007 (hereinafter collectively referred to as the "Relevant Period") for inclusion in the circular of Riche Multi-Media Holdings Limited (the "Company") dated 5 November 2007 (the "Circular") in connection with the proposed acquisition of a 100% equity interest in Modern Vision by Legend Rich Limited, a wholly-owned subsidiary of the Company.

Modern Vision was incorporated in the British Virgin Islands with limited liability on 25 May 2007. The registered office of Modern Vision is located at Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands. During the Relevant Period, Modern Vision has not yet commenced business.

No audited financial statements of Modern Vision have been prepared since the date of incorporation because there is no statutory audit requirement to do so.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Modern Vision based on the unaudited management accounts of Modern Vision, after making adjustments as are appropriate (the "Underlying Financial Information"). Adjustments have been made, for the purpose of this report, to restate the Underlying Financial Information to conform with Hong Kong Financial

Reporting Standards and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of Modern Vision are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have audited the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of Modern Vision in respect of any period subsequent to 31 May 2007.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors of Modern Vision in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the circumstances of Modern Vision, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of Modern Vision's financial position as at 31 May 2007 and of Modern Vision's financial results and cash flows for the Relevant Period.

I. FINANCIAL INFORMATION

BALANCE SHEET

	Notes	As at 31 May 2007 HK$
ASSETS		
Current asset		
Other receivables	5	8
Total assets		8
EQUITY		
Capital and reserves attributable to Modern Vision's equity holders		
Share capital	6	8
Total equity		8
Net current assets		8
Total assets less current liabilities		8

INCOME STATEMENT

	Notes	**For the period from 25 May 2007 (date of incorporation) to 31 May 2007** *HK$*
Turnover		—
Administrative expenses		—
Profit before tax	*7*	—
Taxation	*9*	—
Profit for the period		—
Attributable to:		
Equity holders of Modern Vision		—

STATEMENT OF CHANGES IN EQUITY

	Share capital	**Retained earnings**	**Total**
	HK$	*HK$*	*HK$*
As at 25 May 2007 (date of incorporation)	—	—	—
Issue of share upon incorporation	8	—	8
As at 31 May 2007	8	—	8

CASH FLOW STATEMENT

	For the period from 25 May 2007 (date of incorporation) to 31 May 2007
	HK$
Operating activities	
Profit before tax and operating cash flows before working capital changes	—
Increase in other receivables	(8)
Net cash used in operating activities	(8)
Financing activities	
Issue of share upon incorporation	8
Net cash generated from financing activities	8
Net change in cash and cash equivalents	—
Cash and cash equivalents at the beginning of the period	—
Cash and cash equivalents at the end of the period	—

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

Modern Vision was incorporated in the British Virgin Islands with limited liability on 25 May 2007. The registered office of Modern Vision is located at Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands.

During the Relevant Period, Modern Vision has not yet commenced business.

2. Summary of significant accounting policies

The HKICPA issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations ("INTs") (hereinafter collectively referred to as the "new HKFRSs") which are currently in use and effective for accounting periods beginning on or after 1 January 2007. For the purpose of preparing and presenting Financial Information of the Relevant Period, Modern Vision has adopted all these new HKFRSs over the Relevant Period.

Modern Vision has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of Modern Vision anticipate that the applications of these new standards and interpretations will have no material impact on the Financial Information of Modern Vision.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) — INT 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

The principal accounting policies applied in the preparation of this Financial Information are set out below. These policies have been consistently applied to all the Relevant Period presented, unless otherwise stated.

(a) Basis of preparation

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, HKASs and INTs issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under historical cost convention. The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying Modern Vision's accounting policies.

The Financial Information is presented in Hong Kong Dollars ("HK$") which is the functional currency of Modern Vision.

(b) Revenue recognition

No turnover was generated during the Relevant Period.

(c) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash generating unit).

(d) 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 period. Taxable profit is the profit for the period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(e) ***Other receivables***

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that Modern Vision will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(f) ***Translation of foreign currencies***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(g) ***Contingent liabilities and contingent assets***

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Modern Vision. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Modern Vision. A contingent asset is not recognised but is disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(h) ***Provisions***

Provisions are recognised when Modern Vision has a present obligation as a result of a past event, and it is probable that Modern Vision will be required to settle that obligations. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(i) ***Related parties transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Financial risk management

Fair value estimation

The carrying amount of Modern Vision's financial asset, including other receivables approximates to its fair value due to its short maturity. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair value of financial assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to Modern Vision for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements 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.

Modern Vision makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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.

Capital risk management

Modern Vision's objectives of managing capital are to safeguard Modern Vision's ability to continue as a going concern in order to provide adequate returns for shareholders in the long term and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Modern Vision may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Modern Vision monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

5. Other receivables

The directors of Modern Vision consider that the carrying amounts of other receivables approximate to their fair values.

6. Share capital

	As at 31 May 2007
	HK$
Authorised:	
50,000 ordinary shares of US$1 each	390,000
Issued and fully paid:	
1 ordinary share of US$1 each	8

Upon incorporation, 1 ordinary share of US$1 each was issued at par for working capital of Modern Vision.

7. Profit before tax

	For the period from 25 May 2007 (date of incorporation) to 31 May 2007
	HK$
Profit before tax has been arrived at after charging:	
Auditors' remuneration	—
Staff costs (including directors' remuneration):	
— Salaries and other allowances	—
— Contribution to retirement benefits scheme	—

8. Employee benefit expense

(a) Directors' emoluments

The remuneration of director of Modern Vision for the Relevant Period is set out below:

For the period from 25 May 2007 (date of incorporation) to 31 May 2007

	Fees	Salaries, allowance and bonus	Retirement scheme contribution	Other fringe benefits	Total
Name of director	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Chen Ming Yin, Tiffany	—	—	—	—	—

(b) During the Relevant Period, no emoluments were paid by Modern Vision to the directors or employees for services rendered or as an inducement to join or upon joining or as a compensation for loss of office. No directors of Modern Vision waived or agreed to waive any emoluments.

9. Taxation

No provision for profits tax has been made as Modern Vision did not have any assessable profits for the Relevant Period.

There are no material unprovided deferred tax assets and liabilities as at the balance sheet date.

10. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. Dividends

The directors of Modern Vision do not recommend a payment of dividend nor transfer of any amount to reserves for the Relevant Period.

12. Contingent liabilities

Modern Vision did not have any significant contingent liabilities as at 31 May 2007.

13. Subsequent events

On 18 July 2007, Modern Vision subscribed for 50 shares, representing 50% of the issued share capital, of Over Profit International Limited ("Over Profit") at a consideration of US$50. Over Profit is an investment holding vehicle which indirectly holds a 100% equity interest in Legstrong Construction and Investment Company Limited ("Legstrong"). Legstrong is the registered and beneficial owner of the Property.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Modern Vision in respect of any period subsequent to 31 May 2007. No dividend has been declared, made or paid by Modern Vision in respect of any period subsequent to 31 May 2007.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of an accountants' report on Over Profit International Limited received from HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, the reporting accountants, for the sole purpose of inclusion in this circular.

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

5 November 2007

The Directors
Riche Multi-Media Holdings Limited
Room 3408, 34th Floor
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Over Profit International Limited ("Over Profit") for the period from 20 April 2007 (date of incorporation) to 31 May 2007 (hereinafter collectively referred to as the "Relevant Period") for inclusion in the circular of Riche Multi-Media Holdings Limited (the "Company") dated 5 November 2007 (the "Circular") in connection with the proposed acquisition of a 100% equity interest in Modern Vision (Asia) Limited ("Modern Vision") by Legend Rich Limited, a wholly-owned subsidiary of the Company.

Modern Vision is the immediate holding company of Over Profit since Modern Vision subscribed for 50 shares, representing 50% of the issued share capital, of Over Profit on 18 July 2007.

Over Profit was incorporated in the British Virgin Islands with limited liability on 20 April 2007. The registered office of Over Profit is located at Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands. During the Relevant Period, Over Profit has not yet commenced business.

No audited financial statements of Over Profit have been prepared since the date of incorporation because there is no statutory audit requirement to do so.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Over Profit based on the unaudited management accounts of Over Profit, after making adjustments as are appropriate (the "Underlying Financial Information"). Adjustments have been made, for the purpose of this report, to restate the Underlying Financial Information to conform with Hong Kong Financial Reporting Standards and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of Over Profit are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have audited the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of Over Profit in respect of any period subsequent to 31 May 2007.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors of Over Profit in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the circumstances of Over Profit, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of Over Profit's financial position as at 31 May 2007 and of Over Profit's financial results and cash flows for the Relevant Period.

I. FINANCIAL INFORMATION

BALANCE SHEET

	Notes	As at 31 May 2007 *HK$*
ASSETS		
Current asset		
Other receivables	*5*	780
Total assets		780
EQUITY		
Capital and reserves attributable to Over Profit's equity holders		
Share capital	*6*	780
Total equity		780
Net current assets		780
Total assets less current liabilities		780

INCOME STATEMENT

	Notes	For the period from 20 April 2007 (date of incorporation) to 31 May 2007 HK$
Turnover		—
Administrative expenses		—
Profit before tax	7	—
Taxation	9	—
Profit for the period		—
Attributable to:		
Equity holders of Over Profit		—

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	HK$	*HK$*	*HK$*
As at 20 April 2007 (date of incorporation)	—	—	—
Issue of shares upon incorporation	780	—	780
As at 31 May 2007	780	—	780

CASH FLOW STATEMENT

	For the period from 20 April 2007 (date of incorporation) to 31 May 2007
	HK$
Operating activities	
Profit before tax and operating cash flows before working capital changes	—
Increase in other receivables	(780)
Net cash used in operating activities	(780)
Financing activities	
Issue of shares upon incorporation	780
Net cash generated from financing activities	780
Net change in cash and cash equivalents	—
Cash and cash equivalents at the beginning of the period	—
Cash and cash equivalents at the end of the period	—

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

Over Profit was incorporated in the British Virgin Islands with limited liability on 20 April 2007. The registered office of Over Profit is located at Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands.

During the Relevant Period, Over Profit has not yet commenced business.

2. Summary of significant accounting policies

The HKICPA issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations ("INTs") (hereinafter collectively referred to as the "new HKFRSs") which are currently in use and effective for accounting periods beginning on or after 1 January 2007. For the purpose of preparing and presenting Financial Information of the Relevant Period, Over Profit has adopted all these new HKFRSs over the Relevant Period.

Over Profit has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of Over Profit anticipate that the applications of these new standards and interpretations will have no material impact on the Financial Information of Over Profit.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – INT 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

The principal accounting policies applied in the preparation of this Financial Information are set out below. These policies have been consistently applied to all the Relevant Period presented, unless otherwise stated.

(a) Basis of preparation

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, HKASs and INTs issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under historical cost convention. The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying Over Profit's accounting policies.

The Financial Information is presented in Hong Kong Dollars ("HK$") which is the functional currency of Over Profit.

(b) Revenue recognition

No turnover was generated during the Relevant Period.

(c) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash generating unit).

(d) 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 period. Taxable profit is the profit for the period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(e) ***Other receivables***

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that Over Profit will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(f) ***Translation of foreign currencies***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(g) ***Contingent liabilities and contingent assets***

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Over Profit. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Over Profit. A contingent asset is not recognised but is disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(h) ***Provisions***

Provisions are recognised when Over Profit has a present obligation as a result of a past event, and it is probable that Over Profit will be required to settle that obligations. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(i) ***Related parties transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Financial risk management

Fair value estimation

The carrying amount of Over Profit's financial asset, including other receivables approximates to its fair value due to its short maturity. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair value of financial assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to Over Profit for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements 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.

Over Profit makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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.

Capital risk management

Over Profit's objectives of managing capital are to safeguard Over Profit's ability to continue as a going concern in order to provide adequate returns for shareholders in the long term and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Over Profit may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Over Profit monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

5. Other receivables

The directors of Over Profit consider that the carrying amounts of other receivables approximate to their fair values.

6. Share capital

	As at 31 May 2007
	HK$
Authorised:	
50,000 ordinary shares of US$1 each	390,000
Issued and fully paid:	
100 ordinary shares of US$1 each	780

Upon incorporation, 100 ordinary shares of US$1 each were issued at par for working capital of Over Profit.

7. Profit before tax

	For the period from 20 April 2007 (date of incorporation) to 31 May 2007
	HK$
Profit before tax has been arrived at after charging:	
Auditors' remuneration	—
Staff costs (including directors' remuneration):	
— Salaries and other allowances	—
— Contribution to retirement benefits scheme	—

8. Employee benefit expense

(a) Directors' emoluments

The remuneration of directors of Over Profit for the Relevant Period is set out below:

For the period from 20 April 2007 (date of incorporation) to 31 May 2007

Name of director	Fees	Salaries, allowance and bonus	Retirement scheme contribution	Other fringe benefits	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Wong Hoi Ping	—	—	—	—	—
Chen Ming Yin, Tiffany	—	—	—	—	—

(b) During the Relevant Period, no emoluments were paid by Over Profit to the directors or employees for services rendered or as an inducement to join or upon joining or as a compensation for loss of office. No directors of Over Profit waived or agreed to waive any emoluments.

9. Taxation

No provision for profits tax has been made as Over Profit did not have any assessable profits for the Relevant Period.

There are no material unprovided deferred tax assets and liabilities as at the balance sheet date.

10. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. Dividends

The directors of Over Profit do not recommend a payment of dividend nor transfer of any amount to reserves for the Relevant Period.

12. Contingent liabilities

Over Profit did not have any significant contingent liabilities as at 31 May 2007.

13. Subsequent events

On 19 July 2007, Over Profit acquired the entire issued share capital of Summer Sound Investments Limited ("Summer Sound") at a consideration of HK$1,368,000,000. Summer Sound is an investment holding vehicle which indirectly holds a 100% equity interest in Legstrong Construction and Investment Company Limited ("Legstrong"). Legstrong is the registered and beneficial owner of the Property.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Over Profit in respect of any period subsequent to 31 May 2007. No dividend has been declared, made or paid by Over Profit in respect of any period subsequent to 31 May 2007.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of an accountants' report on the Summer Sound Group received from HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, the reporting accountants, for the sole purpose of inclusion in this circular.

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

5 November 2007

The Directors
Riche Multi-Media Holdings Limited
Room 3408, 34th Floor
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the consolidated financial information (the "Financial Information") regarding Summer Sound Investments Limited ("Summer Sound") and its subsidiaries (hereinafter collectively referred to as the "Summer Sound Group") for the period from 30 January 2006 (date of incorporation) to 31 December 2006 and for the five months ended 31 May 2007 (hereinafter collectively referred to as the "Relevant Periods") for inclusion in the circular of Riche Multi-Media Holdings Limited (the "Company") dated 5 November 2007 (the "Circular") in connection with the proposed acquisition of a 100% equity interest in Modern Vision (Asia) Limited ("Modern Vision") by Legend Rich Limited, a wholly-owned subsidiary of the Company.

Modern Vision is the immediate holding company of Over Profit International Limited ("Over Profit") since Modern Vision subscribed for 50 shares, representing 50% of the issued share capital, of Over Profit on 18 July 2007. Over Profit is the immediate holding company of Summer Sound upon acquisition of the entire issued share capital of Summer Sound on 19 July 2007.

Summer Sound was incorporated in the British Virgin Islands with limited liability on 30 January 2006. The registered office of Summer Sound is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. During the Relevant Periods, the principal activity of Summer Sound was investment holding.

No audited financial statements of Summer Sound have been prepared for the period from 30 January 2006 (date of incorporation) to 31 December 2006 and for the five months ended 31 May 2007 because there is no statutory audit requirement to do so.

As at the date of this report, Summer Sound has the following major subsidiaries:

Name of subsidiary	Place and date of incorporation	Share capital/ registered capital	Attributable equity interest held by Summer Sound Directly	Attributable equity interest held by Summer Sound Indirectly	Principal activities
Crown Gem Investments Limited ("Crown Gem")	British Virgin Islands 3 January 2006	HK$1	100%	—	Investment holding
Stronghold Holding Company Limited ("Stronghold")	Macau 10 March 2006	MOP25,000	96%	4%	Investment holding
Hercules Holding Company Limited ("Hercules")	Macau 10 March 2006	MOP25,000	96%	4%	Investment holding
Legstrong Construction and Investment Company Limited ("Legstrong")	Macau 20 June 1989	MOP100,000	—	100%	Property investment and development

No audited financial statements of Crown Gem, Stronghold, Hercules and Legstrong have been prepared since their respective date of incorporation to 31 May 2007 because there is no statutory audit requirement to do so.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Summer Sound based on the unaudited consolidated management accounts of Summer Sound Group, after making adjustments as are appropriate (the "Underlying Financial Information"). Adjustments have been made, for the purpose of this report, to restate the Underlying Financial Information to conform with Hong Kong Financial Reporting Standards and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of Summer Sound are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have audited the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of Summer Sound nor any consolidated financial statements of Summer Sound Group in respect of any period subsequent to 31 May 2007.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors of Summer Sound in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the circumstances of Summer Sound Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the financial positions of Summer Sound and Summer Sound Group as at 31 December 2006 and 31 May 2007 and of Summer Sound Group's financial results and cash flows for the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited consolidated financial information of Summer Sound Group including consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the period from 30 January 2006 (date of incorporation) to 31 May 2006, for which the directors of Summer Sound are responsible, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquires of group management and applying analytical procedures to the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the unaudited comparative consolidated financial information for the period from 30 January 2006 (date of incorporation) to 31 May 2006.

On the basis of our review of the comparative consolidated financial information for the period from 30 January 2006 (date of incorporation) to 31 May 2006 which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited consolidated financial information presented for the period from 30 January 2006 (date of incorporation) to 31 May 2006.

I. FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2006 HK$'000	As at 31 May 2007 HK$'000
ASSETS			
Non-current asset			
Property under development	5	509,555	511,738
Current assets			
Other receivables	7	36	36
Amounts due from shareholders	8	1,368,000	1,368,000
Cash and cash equivalents	9	34,380	32,716
		1,402,416	1,400,752
Total assets		1,911,971	1,912,490
EQUITY			
Capital and reserves attributable to Summer Sound's equity holders			
Share capital	10	1,368,000	1,368,000
Reserves		259,351	259,793
Total equity		1,627,351	1,627,793
LIABILITIES			
Current liabilities			
Accruals and other payables	11	158,149	158,149
Amount due to a director	12	51,471	51,548
Secured bank loans			
– due within one year	13	75,000	75,000
		284,620	284,697
Total equity and liabilities		1,911,971	1,912,490
Net current assets		1,117,796	1,116,055
Total assets less current liabilities		1,627,351	1,627,793

COMPANY BALANCE SHEET OF SUMMER SOUND

	Notes	As at 31 December 2006 HK$'000	As at 31 May 2007 HK$'000
ASSETS			
Non-current asset			
Interests in subsidiaries	6	—	—
Current assets			
Amounts due from shareholders	8	1,368,000	1,368,000
Total assets		1,368,000	1,368,000
EQUITY			
Capital and reserves attributable to Summer Sound's equity holders			
Share capital	10	1,368,000	1,368,000
Net current assets		1,368,000	1,368,000
Total assets less current liabilities		1,368,000	1,368,000

CONSOLIDATED INCOME STATEMENT

	Notes	For the period from 30 January 2006 (date of incorporation) to 31 December 2006	For the period from 30 January 2006 (date of incorporation) to 31 May 2006	Five months ended 31 May 2007
		HK$'000	*HK$'000* (unaudited)	*HK$'000*
Other revenue	*14*	922	165	446
Administrative expenses		(31)	(31)	(4)
Discount on acquisition of subsidiaries	*20*	258,460	258,460	—
Profit before tax	*15*	259,351	258,594	442
Taxation	*17*	—	—	—
Profit for the period		259,351	258,594	442
Attributable to:				
Equity holders of Summer Sound		259,351	258,594	442

STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 30 January 2006 (date of incorporation)	—	—	—
Issue of shares upon incorporation	1,368,000	—	1,368,000
Profit for the period	—	259,351	259,351
At 31 December 2006	1,368,000	259,351	1,627,351
At 1 January 2007	1,368,000	259,351	1,627,351
Profit for the period	—	442	442
At 31 May 2007	1,368,000	259,793	1,627,793
At 30 January 2006 (date of incorporation)	—	—	—
Issue of shares upon incorporation	1,368,000	—	1,368,000
Profit for the period	—	258,594	258,594
At 31 May 2006 (unaudited)	1,368,000	258,594	1,626,594

CASH FLOW STATEMENT

	For the period from 30 January 2006 (date of incorporation) to 31 December 2006 *HK$'000*	For the period from 30 January 2006 (date of incorporation) to 31 May 2006 *HK$'000* (unaudited)	Five months ended 31 May 2007 *HK$'000*
Operating activities			
Profit before tax	259,351	258,594	442
Adjustments for:			
Bank interest income	(922)	(165)	(446)
Discount on acquisition of subsidiaries	(258,460)	(258,460)	—
Operating cash flows before working capital changes	(31)	(31)	(4)
Increase in other receivables	(36)	(36)	—
Increase in amounts due from shareholders	(1,368,000)	(1,368,000)	—
Increase in accruals and other payables	152,796	11,326	—
Increase in amount due to a director	30,061	29,735	77
Net cash (used in)/generated from operating activities	(1,185,210)	(1,327,006)	73
Investing activities			
Construction cost invested in property under development	(149,555)	(4,926)	(2,183)
Net cash effect on acquisition of subsidiaries	223	223	—
Bank interest received	922	165	446
Net cash used in investing activities	(148,410)	(4,538)	(1,737)
Financing activities			
Issue of shares upon incorporation	1,368,000	1,368,000	—
Net cash generated from financing activities	1,368,000	1,368,000	—
Net increase/(decrease) in cash and cash equivalents	34,380	36,456	(1,664)
Cash and cash equivalents at the beginning of the period	—	—	34,380
Cash and cash equivalents at the end of the period	34,380	36,456	32,716
Analysis of the balance of cash and cash equivalents:			
Time deposits and bank balances	34,380	36,456	32,716

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

Summer Sound was incorporated in the British Virgin Islands with limited liability on 30 January 2006. The registered office of Summer Sound is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

During the Relevant Periods, the principal activity of Summer Sound was investment holding. The principal activities of its subsidiaries are set out in note 6 to the Financial Information.

2. Summary of significant accounting policies

The HKICPA issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations ("INTs") (hereinafter collectively referred to as the "new HKFRSs") which are currently in use and effective for accounting periods beginning on or after 1 January 2007. For the purpose of preparing and presenting Financial Information of the Relevant Periods, Summer Sound Group has adopted all these new HKFRSs over the Relevant Periods.

Summer Sound Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of Summer Sound anticipate that the applications of these new standards and interpretations will have no material impact on the Financial Information of Summer Sound Group.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – INT 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

The principal accounting policies applied in the preparation of this Financial Information are set out below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated.

(a) Basis of preparation

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, HKASs and INTs issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under historical cost convention except for certain financial instruments which are carried at fair values. The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying Summer Sound Group's accounting policies.

The Financial Information is presented in Hong Kong Dollars ("HK$") which is the functional currency of Summer Sound.

(b) Basis of consolidation

The consolidated financial statements incorporate the Financial Information of Summer Sound and its subsidiaries made up to 31 December 2006 and 31 May 2007.

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Summer Sound Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of Summer Sound Group's except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(c) Excess of Summer Sound Group's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in income statement.

(d) Revenue recognition

Interest income 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.

(e) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash generating unit).

(f) 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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than 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 arising on investments in subsidiaries and associates, except where Summer Sound 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(g) Property under development

When the leasehold land and buildings are in the course of development for production, rental, for administrative purpose or for sale, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of building commences when they are available for use.

(h) ***Interests in subsidiaries***

A subsidiary is an enterprise controlled by Summer Sound. Control exists when Summer Sound has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In Summer Sound's balance sheet, interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by Summer Sound on the basis of dividends received and receivable.

(i) ***Other receivables***

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that Summer Sound Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(k) ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(l) ***Translation of foreign currencies***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(m) ***Contingent liabilities and contingent assets***

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Summer Sound Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Summer Sound Group. A contingent asset is not recognised but is disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Provisions

Provisions are recognised when Summer Sound Group has a present obligation as a result of a past event, and it is probable that Summer Sound Group will be required to settle that obligations. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(o) Related parties transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Financial risk management

3.1 Financial risk factors

Summer Sound Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk) and cash flow interest-rate risk. Summer Sound Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Summer Sound Group's financial performance.

(a) Market risk — Currencies risk

The main operation of Summer Sound Group is in Macau with most of the transactions settled in MOP. Except for certain cash and bank balances, Summer Sound Group's receivables and payables were mainly denominated in MOP. Management believes that Summer Sound Group does not have significant foreign currency exchange risk as the exchange rate between MOP and HK$ did not fluctuate significantly. However, the conversion of MOP into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Macau government.

(b) Cash flow and fair value interest rate-risk

Summer Sound Group's cash flow interest-rate risk arises from bank borrowings. Summer Sound Group's fair value interest-rate risk mainly arises from fixed-rate short-term bank deposits. Summer Sound Group currently does not have an interest-rate hedging policy. However, the management monitors interest-rate exposure and will consider hedging significant interest-rate exposure should need arises.

3.2 Fair value estimation

The carrying amounts of Summer Sound Group's financial assets, including other receivables, amounts due from shareholders and cash and cash equivalents approximate to their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Summer Sound Group for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements 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.

Summer Sound Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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) Impairment of property under development

As described in note 5 to the Financial Information, the fair value of the property under development was reassessed at the balance sheet date on market value basis by reference to independent professional valuers for impairment assessment purpose. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, Summer Sound Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions at each balance sheet date.

(b) Capital risk management

Summer Sound Group's objectives of managing capital are to safeguard Summer Sound Group's ability to continue as a going concern in order to provide adequate returns for shareholders in the long term and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Summer Sound Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Summer Sound Group periodically reviews the cash flow projection and the debt to capital ratio of Summer Sound Group. Taking into consideration of the projected operating cash flow, Summer Sound Group applied net cash inflows to repay the bank loans. The bank loans were remained at HK$75,000,000 for the Relevant Periods. To improve the debt to capital ratio, Summer Sound Group does not consider any dividend payment until Summer Sound Group has surplus in the cash flows.

5. Property under development

	As at 31 December 2006 *HK\$'000*	As at 31 May 2007 *HK\$'000*
Cost	509,555	511,738

As at the balance sheet date, the directors of Summer Sound reviewed the carrying value of the property under development with reference to current market situation and the estimated selling price of the property under development provided by DTZ Debenham Tie Leung Limited and no impairment loss was recognised during the Relevant Periods.

6. Interests in subsidiaries

	As at 31 December 2006 *HK\$'000*	As at 31 May 2007 *HK\$'000*
Investment costs on unlisted shares	46	46
Less: amounts due to subsidiaries	(46)	(46)
	—	—

The carrying amounts of the interests in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of amounts due to subsidiaries approximate to their fair values.

Details of Summer Sound's subsidiaries at 31 May 2007 are set out as follows:

Name of subsidiary	Place and date of incorporation	Share capital/ registered capital	Attributable equity interest held by Summer Sound		Principal activities
			Directly	Indirectly	
Crown Gem Investments Limited ("Crown Gem")	British Virgin Islands 3 January 2006	HK$1	100%	—	Investment holding
Stronghold Holding Company Limited ("Stronghold")	Macau 10 March 2006	MOP25,000	96%	4%	Investment holding
Hercules Holding Company Limited ("Hercules")	Macau 10 March 2006	MOP25,000	96%	4%	Investment holding
Legstrong Construction and Investment Company Limited ("Legstrong")	Macau 20 June 1989	MOP100,000	—	100%	Property investment and development

7. Other receivables

The directors of Summer Sound consider that the carrying amounts of other receivables approximate to their fair values.

8. Amounts due from shareholders

The amounts due from shareholders are unsecured, interest-free and recoverable on demand.

The directors of Summer Sound consider that the carrying amounts of amounts due from shareholders approximate to their fair values.

9. Cash and cash equivalents

	As at 31 December 2006 *HK$'000*	As at 31 May 2007 *HK$'000*
Cash at bank	27	263
Deposits in banks	34,353	32,453
	34,380	32,716

The effective interest rates of deposits in banks range from 2.56% to 3.81% during the Relevant Periods.

10. Share capital

	As at 31 December 2006 *HK$'000*	As at 31 May 2007 *HK$'000*
Authorised:		
50,000 common shares without par value		
Issued and fully paid:		
100 common shares of HK$13,680,000 each	1,368,000	1,368,000

11. Accruals and other payables

	As at 31 December 2006 *HK$'000*	As at 31 May 2007 *HK$'000*
Accruals	3,587	3,587
Other payables	154,562	154,562
	158,149	158,149

The other payables mainly comprised of the increase of land premium in relation to the property under development.

The directors of Summer Sound consider that the carrying amounts of accruals and other payables approximate to their fair values.

12. Amount due to a director

The amount due to a director is unsecured, interest-free and repayable on demand.

The directors of Summer Sound consider that the carrying amount of amount due to a director approximates to its fair value.

13. Secured bank loans

	As at 31 December 2006 *HK$'000*	As at31 May 2007 *HK$'000*
Secured bank loans repayable:		
within one year	75,000	75,000

The bank loans are variable-rate borrowings which carry interest at HIBOR+0.2% for the Relevant Periods.

The secured bank loans are secured by Summer Sound Group's property under development in Macau with carrying values of approximately HK$509,555,000 and HK$511,738,000 as at 31 December 2006 and 31 May 2007 respectively.

The directors of Summer Sound consider that the carrying amounts of Summer Sound Group's bank loans approximate to their fair values.

Summer Sound Group's bank loans that are denominated in currencies other than Hong Kong dollars are set out below:

	As at 31 December 2006 *HK$'000*	As at 31 May 2007 *HK$'000*
Macau Pataca (MOP51,500,000)	50,000	50,000

14. Other revenue

	For the period from 30 January 2006 (date of incorporation) to 31 December 2006 *HK$'000*	For the period from 30 January 2006 (date of incorporation) to 31 May 2006 *HK$'000* (unaudited)	Five months ended 31 May 2007 *HK$'000*
Bank interest income	922	165	446

15. Profit before tax

	For the period from 30 January 2006 (date of incorporation) to 31 December 2006 *HK$'000*	For the period from 30 January 2006 (date of incorporation) to 31 May 2006 *HK$'000* (unaudited)	Five months ended 31 May 2007 *HK$'000*
Profit before tax has been arrived at after charging:			
Auditors' remuneration	—	—	—
Staff costs (including directors' remuneration):			
— Salaries and other allowances	—	—	—
— Contribution to retirement benefits scheme	—	—	—

16. Employee benefit expense

(a) Directors' emoluments

The remuneration of directors of Summer Sound for the Relevant Periods is set out below:

Name of director	Fees	Salaries, allowance and bonus	Retirement scheme contribution	Other fringe benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Period from 30 January 2006 (date of incorporation) to 31 December 2006					
Pedro Chiang	—	—	—	—	—
Lim Meng Wee	—	—	—	—	—
Cheng Wai Ling, Annie	—	—	—	—	—
	—	—	—	—	—
Five months ended 31 May 2007					
Pedro Chiang	—	—	—	—	—
Lim Meng Wee	—	—	—	—	—
Cheng Wai Ling, Annie	—	—	—	—	—
	—	—	—	—	—
Period from 30 January 2006 (date of incorporation) to 31 May 2006 (unaudited)					
Pedro Chiang	—	—	—	—	—
Lim Meng Wee	—	—	—	—	—
Cheng Wai Ling, Annie	—	—	—	—	—
	—	—	—	—	—

(b) During the Relevant Periods, no emoluments were paid by Summer Sound to the directors or employees for services rendered or as an inducement to join or upon joining or as a compensation for loss of office. No directors of Summer Sound waived or agreed to waive any emoluments.

17. Taxation

No provision for profits tax has been made as Summer Sound Group did not have any assessable profits for the Relevant Periods.

There are no material unprovided deferred tax assets and liabilities as at the balance sheet date.

18. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

19. Dividends

The directors of Summer Sound do not recommend a payment of dividend nor transfer of any amount to reserves for the Relevant Periods.

20. Acquisition of subsidiaries

On 10 March 2006, Summer Sound Group acquired 100% equity interest of Legstrong for consideration of MOP100,000 (equivalent to HK$97,087).

The fair value of net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value of the assets or liabilities acquired**
	HK$'000	*HK$'000*	*HK$'000*
Property under development *(Note i)*	101,347	258,653	360,000
Amount due from a shareholder	4,165	—	4,165
Cash and cash equivalents	320	—	320
Amounts due to directors	(21,410)	—	(21,410)
Amounts due to shareholders	(9,518)	—	(9,518)
Secured bank loans	(75,000)	—	(75,000)
Net assets acquired	(96)	258,653	258,557
Discount on acquisition of a subsidiary			(258,460)
Total consideration satisfied by:			
Cash			97
Net cash flow arising on acquisition:			
Cash consideration paid			(97)
Cash and cash equivalents acquired			320
Net cash flow generated from acquisition of a subsidiary			223

Note:

(i) The fair value of the property under development was determined based on the valuation performed by DTZ Debenham Tie Leung Limited, an independent firm of qualified professional valuers and not connected with Summer Sound Group, as at the acquisition date.

Since its acquisition, Legstrong contributed approximately HK$891,000 and HK$442,000 to the consolidated profit of Summer Sound Group for the period from 30 January 2006 (date of incorporation) to 31 December 2006 and for the five months ended 31 May 2007 respectively. However, Legstrong did not contribute any turnover to Summer Sound Group since its acquisition.

If the acquisition had been completed on 30 January 2006 (date of incorporation), the turnover and net profit contributed by Legstrong to Summer Sound Group would have no difference with the actual turnover and results contributed to Summer Sound Group for the period from 30 January 2006 (date of incorporation) to 31 December 2006.

21. Capital commitments

	As at 31 December 2006 *HK$'000*	As at 31 May 2007 *HK$'000*
Contracted but not provided for in the Financial Information	1,500	1,500

22. Contingent liabilities

Summer Sound Group did not have any significant contingent liabilities as at 31 May 2007.

23. Subsequent events

No significant subsequent events took place subsequent to 31 May 2007.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared for Summer Sound Group in respect of any period subsequent to 31 May 2007. No dividend has been declared, made or paid by Summer Sound Group in respect of any period subsequent to 31 May 2007.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of an accountants' report on Legstrong Construction and Investment Company Limited received from HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, the reporting accountants, for the sole purpose of inclusion in this circular.

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

5 November 2007

The Directors
Riche Multi-Media Holdings Limited
Room 3408, 34th Floor
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Legstrong Construction and Investment Company Limited ("Legstrong") for each of the three years ended 31 December 2004, 2005 and 2006 and for the five months ended 31 May 2007 (hereinafter collectively referred to as the "Relevant Periods") for inclusion in the circular of Riche Multi-Media Holdings Limited (the "Company") dated 5 November 2007 (the "Circular") in connection with the proposed acquisition of a 100% equity interest in Modern Vision (Asia) Limited ("Modern Vision") by Legend Rich Limited, a wholly-owned subsidiary of the Company.

Modern Vision is the immediate holding company of Over Profit International Limited ("Over Profit") since Modern Vision subscribed for 50 shares, representing 50% of the issued share capital, of Over Profit on 18 July 2007. Over Profit is the immediate holding company of Summer Sound Investments Limited ("Summer Sound") upon acquisition of the entire issued share capital of Summer Sound on 19 July 2007.

Summer Sound and its wholly-owned subsidiary, Crown Gem Investments Limited ("Crown Gem") together hold the entire equity interests of Stronghold Holding Company Limited ("Stronghold") and Hercules Holding Company Limited ("Hercules") since Summer Sound and Crown Gem subscribed for the entire registered capital of Stronghold and Hercules on 10 March 2006, on which date Stronghold and Hercules in turn together acquired the entire equity interest of Legstrong.

Legstrong was incorporated in Macau with limited liability on 20 June 1989. The registered office of Legstrong is located at Rua de Pequim, nos 173-177, Edifício Marina Plaza, P, Q, R/C, Macau. During the Relevant Periods, the principal activity of Legstrong was property investment and development in Macau.

No audited financial statements of Legstrong have been prepared for each of the three years ended 31 December 2004, 2005 and 2006 and for the five months ended 31 May 2007 because there is no statutory audit requirement to do so.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Legstrong based on the unaudited management accounts of Legstrong, after making adjustments as are appropriate (the "Underlying Financial Information"). Adjustments have been made, for the purpose of this report, to restate the Underlying Financial Information to conform with Hong Kong Financial Reporting Standards and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of Legstrong are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have audited the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of Legstrong in respect of any period subsequent to 31 May 2007.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors of Legstrong in the preparation of the Financial

Information, and of whether the accounting policies are appropriate to the circumstances of Legstrong, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of Legstrong's financial positions as at 31 December 2004, 2005 and 2006 and 31 May 2007 and of Legstrong's financial results and cash flows for the Relevant Periods.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to note 2(a) to the Financial Information which indicates that Legstrong recorded net current liabilities of HK$97,336,000, HK$101,443,000, HK$250,107,000 and HK$251,848,000 as at 31 December 2004, 2005 and 2006 and 31 May 2007 respectively. These conditions, along with other matters as set forth in note 2(a) to the Financial Information, indicate the existence of a material uncertainty which may cast significant doubt about Legstrong's ability to continue as a going concern.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of Legstrong including income statement, statement of changes in equity and cash flow statement for the five months ended 31 May 2006, for which the directors of Legstrong are responsible, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquires of group management and applying analytical procedures to the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the unaudited comparative financial information for the five months ended 31 May 2006.

On the basis of our review of the comparative financial information for the five months ended 31 May 2006 which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited financial information presented for the five months ended 31 May 2006.

I. FINANCIAL INFORMATION

BALANCE SHEET

		As at 31 December			As at 31 May
		2004	**2005**	**2006**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current asset					
Property under development	*5*	97,243	101,347	250,902	253,085
Current assets					
Other receivables	*6*	—	—	36	36
Amounts due from shareholders	*7*	2,065	4,165	97	97
Cash and cash equivalents	*8*	436	320	34,380	32,716
		2,501	4,485	34,513	32,849
Total assets		99,744	105,832	285,415	285,934
EQUITY					
Capital and reserves attributable to Legstrong's equity holders					
Share capital	*9*	97	97	97	97
Reserves		(190)	(193)	698	1,140
Total equity		(93)	(96)	795	1,237
LIABILITIES					
Current liabilities					
Accruals and other payables	*10*	—	—	158,149	158,149
Amounts due to directors	*11*	38,218	21,410	51,471	51,548
Amount due to a shareholder	*11*	11,619	9,518	—	—
Secured bank loans					
— due within one year	*12*	50,000	75,000	75,000	75,000
		99,837	105,928	284,620	284,697
Total equity and liabilities		99,744	105,832	285,415	285,934
Net current liabilities		(97,336)	(101,443)	(250,107)	(251,848)
Total assets less current liabilities		(93)	(96)	795	1,237

INCOME STATEMENT

		Year ended 31 December			Five months ended 31 May	
		2004	**2005**	**2006**	**2006**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Other revenue	*13(a)*	1	1	922	165	446
Other income	*13(b)*	3	—	—	—	—
Administrative expenses		(2)	(4)	(31)	(31)	(4)
Profit/(loss) before tax	*14*	2	(3)	891	134	442
Taxation	*16*	—	—	—	—	—
Profit/(loss) for the year/period		2	(3)	891	134	442
Attributable to:						
Equity holders of Legstrong		2	(3)	891	134	442

STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	(Accumulated losses)/ retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2004	97	(192)	(95)
Profit for the year	—	2	2
At 31 December 2004	97	(190)	(93)
At 1 January 2005	97	(190)	(93)
Loss for the year	—	(3)	(3)
At 31 December 2005	97	(193)	(96)
At 1 January 2006	97	(193)	(96)
Profit for the year	—	891	891
At 31 December 2006	97	698	795
At 1 January 2007	97	698	795
Profit for the period	—	442	442
At 31 May 2007	97	1,140	1,237
At 1 January 2006	97	(193)	(96)
Profit for the period	—	134	134
At 31 May 2006 (unaudited)	97	(59)	38

CASH FLOW STATEMENT

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating activities					
Profit/(loss) before tax	2	(3)	891	134	442
Adjustment for:					
Bank interest income	(4)	(1)	(922)	(165)	(446)
Operating cash flows before working capital changes	(2)	(4)	(31)	(31)	(4)
Increase in other receivables	—	—	(36)	(36)	—
(Increase)/decrease in amounts due from shareholder	(2,055)	(2,100)	4,068	4,068	—
Increase in accruals and other payables	—	—	158,149	16,679	—
Increase/(decrease) in amounts due to directors	271	(16,808)	30,061	29,735	77
Increase/(decrease) in amount due to a shareholder	2,123	(2,101)	(9,518)	(9,518)	—
Net cash generated from/ (used in) operating activities	337	(21,013)	182,693	40,897	73
Investing activities					
Construction cost invested in property under development	(1,377)	(4,104)	(149,555)	(4,927)	(2,183)
Bank interest received	4	1	922	165	446
Net cash used in investing activities	(1,373)	(4,103)	(148,633)	(4,762)	(1,737)
Financing activities					
New secured bank loans raised	—	25,000	—	—	—
Net cash generated from financing activities	—	25,000	—	—	—
Net (decrease)/increase in cash and cash equivalents	(1,036)	(116)	34,060	36,135	(1,664)
Cash and cash equivalents at the beginning of the year/period	1,472	436	320	320	34,380
Cash and cash equivalents at the end of the year/period	436	320	34,380	36,455	32,716
Analysis of the balance of cash and cash equivalents:					
Time deposits and bank balances	436	320	34,380	36,455	32,716

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

Legstrong was incorporated in Macau with limited liability on 20 June 1989. The registered office of Legstrong is located at Rua de Pequim, nos 173-177, Edifício Marina Plaza, P, Q, R/C, Macau.

During the Relevant Periods, the principal activity of Legstrong was property investment and development in Macau.

2. Summary of significant accounting policies

The HKICPA issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations ("INTs") (hereinafter collectively referred to as the "new HKFRSs") which are currently in use and effective for accounting periods beginning on or after 1 January 2007. For the purpose of preparing and presenting Financial Information of the Relevant Periods, Legstrong has adopted all these new HKFRSs over the Relevant Periods.

Legstrong has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of Legstrong anticipate that the applications of these new standards and interpretations will have no material impact on the Financial Information of Legstrong.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – INT 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

The principal accounting policies applied in the preparation of this Financial Information are set out below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated.

(a) Basis of preparation

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, HKASs and INTs issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under historical cost convention except for certain financial instruments which are carried at fair values. The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying Legstrong's accounting policies.

The Financial Information is presented in Hong Kong Dollars ("HK$") that is different from the functional currency of Legstrong which is MOP as the directors of Legstrong control and monitor the performance and financial position of Legstrong in HK$.

As at 31 December 2004, 2005 and 2006 and 31 May 2007, Legstrong had incurred net current liabilities of HK$97,336,000, HK$101,443,000, HK$250,107,000 and HK$251,848,000 respectively. The Financial Information has been prepared on a going concern basis because the shareholders of Legstrong have confirmed to provide continuing financial support to Legstrong to enable it to continue as a going concern and to settle its liabilities as and when they fall due from the foreseeable future.

(b) Revenue recognition

Interest income 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.

(c) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash generating unit).

(d) 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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(e) Property under development

When the leasehold land and buildings are in the course of development for production, rental, for administrative purpose or for sale, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of building commences when they are available for use.

(f) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that Legstrong will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(h) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(i) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(j) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Legstrong. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Legstrong. A contingent asset is not recognised but is disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(k) Provisions

Provisions are recognised when Legstrong has a present obligation as a result of a past event, and it is probable that Legstrong will be required to settle that obligations. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(l) Related parties transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Financial risk management

3.1 Financial risk factors

Legstrong's activities expose it to a variety of financial risks: market risk (foreign exchange risk), liquidity risk and cash flow interest-rate risk. Legstrong's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Legstrong's financial performance.

(a) Market risk — Currencies risk

The main operation of Legstrong is in Macau with most of the transactions settled in MOP. Except for certain cash and bank balances, Legstrong's receivables and payables were mainly denominated in MOP. Management believes that Legstrong does not have significant foreign currency exchange risk as the exchange rate between MOP and HK$ did not fluctuate significantly. However, the conversion of MOP into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Macau government.

(b) Liquidity risk

Legstrong manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

(c) *Cash flow and fair value interest rate-risk*

Legstrong's cash flow interest-rate risk arises from bank borrowings. Legstrong's fair value interest-rate risk mainly arises from fixed-rate short-term bank deposits. Legstrong currently does not have an interest-rate hedging policy. However, the management monitors interest-rate exposure and will consider hedging significant interest-rate exposure should need arises.

3.2 Fair value estimation

The carrying amounts of Legstrong's financial assets, including other receivables, amounts due from shareholders and cash and cash equivalents approximate to their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Legstrong for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements 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.

Legstrong makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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) Impairment of property under development

As described in note 5 to the Financial Information, the fair value of the property under development was reassessed at the balance sheet date on market value basis by reference to independent professional valuers for impairment assessment purpose. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, Legstrong considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions at each balance sheet date.

(b) Capital risk management

Legstrong's objectives of managing capital are to safeguard Legstrong's ability to continue as a going concern in order to provide adequate returns for shareholders in the long term and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Legstrong may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Legstrong periodically reviews the cash flow projection and the debt to capital ratio of Legstrong. Taking into consideration of the projected operating cash flow, Legstrong applied net cash inflows to repay the bank loans to improve net current liabilities financial position. The bank loans were HK$50,000,000 for the year ended 31 December 2004 and were remained at HK$75,000,000 for the period from 1 January 2005 to 31 May 2007. The net profits were approximately HK$2,000, HK$891,000, HK$134,000 and HK$442,000 for the years ended 31 December 2004, 2006 and for the five months ended 31 May 2006 and 2007 respectively, the net current liabilities were approximately HK$97,336,000, HK$101,443,000, HK$250,107,000 and HK$251,848,000 as at 31 December 2004, 2005, 2006 and 31 May 2007 respectively. To improve the debt to capital ratio, Legstrong does not consider any dividend payment until Legstrong has surplus in the reserves.

5. Property under development

	As at 31 December			As at 31 May
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost	97,243	101,347	250,902	253,085

As at the balance sheet date, the directors of Legstrong reviewed the carrying value of the property under development with reference to current market situation and the estimated selling price of the property under development provided by DTZ Debenham Tie Leung Limited and no impairment loss was recognised during the Relevant Periods.

6. Other receivables

The directors of Legstrong consider that the carrying amounts of other receivables approximate to their fair values.

7. Amounts due from shareholders

The amounts due from shareholders are unsecured, interest-free and recoverable on demand.

The directors of Legstrong consider that the carrying amounts of amounts due from shareholders approximate to their fair values.

8. Cash and cash equivalents

	As at 31 December			As at 31 May
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank	147	179	27	263
Deposits in banks	289	141	34,353	32,453
	436	320	34,380	32,716

The effective interest rates of deposits in banks range from 2.56% to 3.81% during the Relevant Periods.

9. Share capital

	As at 31 December			As at 31 May
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Registered capital:				
MOP100,000	97	97	97	97
Fully paid capital:				
MOP100,000	97	97	97	97

10. Accruals and other payables

	As at 31 December			As at 31 May
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	—	—	3,587	3,587
Other payables	—	—	154,562	154,562
	—	—	158,149	158,149

The other payables mainly comprised of the increase of land premium in relation to the property under development.

The directors of Legstrong consider that the carrying amounts of accruals and other payables approximate to their fair values.

11. Amounts due to directors/a shareholder

The amounts due to directors/a shareholder are unsecured, interest-free and repayable on demand.

The directors of Legstrong consider that the carrying amounts of amounts due to directors/a shareholder approximate to their fair values.

12. Secured bank loans

	As at 31 December			As at 31 May
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans repayable:				
within one year	50,000	75,000	75,000	75,000

The bank loans are variable-rate borrowings which carry interest at HIBOR+0.2% for the Relevant Periods.

The secured bank loans are secured by Legstrong's property under development in Macau with carrying values of approximately HK$97,243,000, HK$101,347,000, HK$250,902,000 and HK$253,085,000 as at 31 December 2004, 2005 and 2006 and 31 May 2007 respectively.

The directors of Legstrong consider that the carrying amounts of Legstrong's bank loans approximate to their fair values.

Legstrong's bank loans that are denominated in currencies other than Hong Kong dollars are set out below:

	As at 31 December			As at 31 May
	2004	**2005**	**2006**	**2007**
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*
Macau Pataca (MOP51,500,000)	50,000	50,000	50,000	50,000

13. Other revenue and other income

	Year ended 31 December			Five months ended 31 May	
	2004	**2005**	**2006**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
(a) Other revenue:					
Bank interest income	1	1	922	165	446
(b) Other income:					
Exchange gain	3	—	—	—	—

14. Profit/(loss) before tax

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before tax has been arrived at after charging:					
Auditors' remuneration	—	—	—	—	—
Staff costs (including directors' remuneration):					
— Salaries and other allowances	—	—	—	—	—
— Contribution to retirement benefits scheme	—	—	—	—	—

15. Employee benefit expense

(a) Directors' emoluments

The remuneration of directors of Legstrong for the Relevant Periods is set out below:

Name of director	Fees	Salaries, allowance and bonus	Retirement scheme contribution	Other fringe benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2004					
Lam Him	—	—	—	—	—
Wu Ka I	—	—	—	—	—
Leong Pak Kan	—	—	—	—	—
Pedro Chiang	—	—	—	—	—
Leong Lai Heng	—	—	—	—	—
	—	—	—	—	—

Name of director	Fees	Salaries, allowance and bonus	Retirement scheme contribution	Other fringe benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2005					
Lam Him	—	—	—	—	—
Wu Ka I	—	—	—	—	—
Leong Pak Kan	—	—	—	—	—
Pedro Chiang	—	—	—	—	—
Leong Lai Heng	—	—	—	—	—
	—	—	—	—	—
Year ended 31 December 2006					
Lam Him	—	—	—	—	—
Wu Ka I	—	—	—	—	—
Leong Pak Kan	—	—	—	—	—
Pedro Chiang	—	—	—	—	—
Leong Lai Heng	—	—	—	—	—
Cheng Wai Ling, Annie	—	—	—	—	—
	—	—	—	—	—
Five months ended 31 May 2007					
Pedro Chiang	—	—	—	—	—
Cheng Wai Ling, Annie	—	—	—	—	—
	—	—	—	—	—
Five months ended 31 May 2006 (unaudited)					
Lam Him	—	—	—	—	—
Wu Ka I	—	—	—	—	—
Leong Pak Kan	—	—	—	—	—
Pedro Chiang	—	—	—	—	—
Leong Lai Heng	—	—	—	—	—
Cheng Wai Ling, Annie	—	—	—	—	—
	—	—	—	—	—

(b) During the Relevant Periods, no emoluments were paid by Legstrong to the directors or employees for services rendered or as an inducement to join or upon joining or as a compensation for loss of office. No directors of Legstrong waived or agreed to waive any emoluments.

16. Taxation

No provision for profits tax has been made as Legstrong did not have any assessable profits for the Relevant Periods.

There are no material unprovided deferred tax assets and liabilities as at the balance sheet date.

17. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

18. Dividends

The directors of Legstrong do not recommend a payment of dividend nor transfer of any amount to reserves for the Relevant Periods.

19. Capital commitments

	As at 31 December			**As at 31 May**
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for in the Financial Information	—	—	1,500	1,500

20. Contingent liabilities

Legstrong did not have any significant contingent liabilities as at 31 May 2007.

21. Subsequent events

No significant subsequent events took place subsequent to 31 May 2007.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Legstrong in respect of any period subsequent to 31 May 2007. No dividend has been declared, made or paid by Legstrong in respect of any period subsequent to 31 May 2007.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

1. SUMMARY OF FINANCIAL INFORMATION ON THE GROUP

The following is a summary of the consolidated results of the Group for the three years ended 31 December 2004, 2005 and 2006 the six months ended 30 June 2007, and the consolidated balance sheets as at 31 December 2004, 2005 and 2006 and 30 June 2007 as extracted from the published annual reports of the Company for the two years ended 31 December 2006 and the interim report of the Company for the six months ended 30 June 2007.

(a) Consolidated balance sheet

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	7,975	3,418	2,468	9,677
Interests in leasehold land	1,580	—	—	—
Film rights	9,236	—	—	—
Investment properties	—	—	678,000	701,079
Goodwill	4,400	—	77,284	77,284
Available-for-sale financial assets	172	172	172	172
	23,363	3,590	757,924	788,212
Current assets				
Inventories	15	6	45,154	45,154
Film rights	1,105	—	—	—
Film rights deposits	14	14	—	—
Trade receivables	23,308	4,729	936	736
Deposits, prepayments and other receivables	4,584	54,202	19,254	14,746
Deposit with a related company	5,000	—	—	—
Financial assets at fair value through profit or loss	41,732	30,567	28,100	19,392
Available-for-sale financial assets	18,000	—	—	—
Amount due from an associate	300	—	—	—
Tax prepayment	—	4,146	7,720	9,720
Cash and cash equivalents	15,460	137,973	63,140	203,961
	109,518	231,637	164,304	293,709
Total assets	132,881	235,227	922,228	1,081,921

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	47,520	51,540	64,843	96,614
Reserves	21,051	116,070	334,793	556,208
	68,571	167,610	399,636	652,822
Minority interests	—	—	3,896	3,896
	68,571	167,610	403,532	656,718
LIABILITIES				
Current liabilities				
Trade payables	1,983	1,714	—	—
Accruals and other payables	3,797	7,619	20,208	15,079
Receipts in advance	1,204	483	60,898	60,838
Amounts due to related companies	549	34,832	606	600
Obligations under a finance lease — amount due within one year	8	—	—	—
Convertible notes payable	33,800	—	—	—
Secured bank loans — due within one year	—	—	5,470	15,000
Tax payable	22,969	22,969	23,240	22,969
	64,310	67,617	110,422	114,486
Non-current liabilities				
Secured bank loans — due after one year	—	—	351,957	254,400
Deferred taxation	—	—	56,317	56,317
	—	—	408,274	310,717
Total equity and liabilities	132,881	235,227	922,228	1,081,921
Net current assets	45,208	164,020	53,882	179,223
Total assets less current liabilities	68,571	167,610	811,806	967,435

(b) Consolidated income statement

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	(unaudited)
Turnover	58,382	38,339	17,476	29,191	12,762
Cost of sales	(48,674)	(36,466)	(13,998)	(24,465)	(9,965)
Gross profit	9,708	1,873	3,478	4,726	2,797
Other revenue	390	2,066	5,699	1,307	3,090
Other income	—	7,110	5,560	122,593	4,430
Increase in fair value of investments properties	—	—	590	—	—
Administrative expenses	(36,266)	(19,332)	(26,811)	(15,656)	(8,574)
Selling expenses	(234)	(29)	—	—	—
Share based payment expenses	—	—	—	(13,688)	—
Loss on disposal of property, plant and equipment	—	—	—	—	(1,034)
Impairment loss recognised in respect of other asset	(46,512)	—	—	—	(1,181)
Impairment loss recognised in respect of film rights	(16,213)	(8,956)	—	—	—
Impairment loss recognised in respect of goodwill	(28,072)	(12,056)	—	—	—
Impairment loss recognised in respect of available-for-sale financial assets	(12,000)	—	—	—	—
Allowance for advances to an associate	(138,531)	—	—	—	—
(Loss)/profit from operations	(267,730)	(29,324)	(11,484)	99,282	(472)
Finance costs	(340)	(340)	(9,615)	(8,334)	(668)
(Loss)/profit before taxation	(268,070)	(29,664)	(21,099)	90,948	(1,140)
Taxation	(277)	—	(195)	—	—
(Loss)/profit for the year/period	(268,347)	(29,664)	(21,294)	90,948	(1,140)
Attributable to:					
Equity holders of the Company	(268,347)	(29,664)	(21,294)	90,948	(1,140)
(Loss)/earnings per share attributable to the equity holders of the Company					
Basic	HK$(5.65) cents	HK$(0.61) cents	HK$(0.33) cents	HK$12.05 cents	HK$(0.22) cents
Diluted	HK$(5.65) cents	N/A	N/A	HK$11.96 cents	HK$(0.22) cents

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is an extract of the audited financial statements from the annual report of the Company for the year ended 31 December 2006:

CONSOLIDATED BALANCE SHEET

At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,468	3,418
Investment properties	8	678,000	—
Goodwill	10	77,284	—
Available-for-sale financial assets		172	172
		757,924	3,590
Current assets			
Inventories	11	45,154	6
Film rights deposits		—	14
Trade receivables	12	936	4,729
Deposits, prepayments and other receivables	13	19,254	54,202
Financial assets at fair value through profit or loss	14	28,100	30,567
Tax prepayments	15	7,720	4,146
Cash and cash equivalents	16	63,140	137,973
		164,304	231,637
Total assets		922,228	235,227
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	64,843	51,540
Reserves		334,793	116,070
		399,636	167,610
Minority interests		3,896	—
		403,532	167,610

	Notes	2006 HK$'000	2005 HK$'000
LIABILITIES			
Current liabilities			
Trade payables	*19*	—	1,714
Accruals and other payables	*20*	20,208	7,619
Receipts in advance	*21*	60,898	483
Amounts due to related companies	*22*	606	34,832
Secured bank loans			
— due within one year	*23*	5,470	—
Tax payable		23,240	22,969
		110,422	67,617
Non-current liabilities			
Secured bank loans			
— due after one year	*23*	351,957	—
Deferred taxation	*24*	56,317	—
		408,274	—
Total equity and liabilities		922,228	235,227
Net current assets		53,882	164,020
Total assets less current liabilities		811,806	167,610

BALANCE SHEET
At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current asset			
Interests in subsidiaries	9	41,824	—
Current assets			
Deposits, prepayments and other receivables	13	1,801	—
Cash and cash equivalents	16	55,862	136,670
		57,663	136,670
Total assets		99,487	136,670
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	64,843	51,540
Reserves	18	25,708	47,479
		90,551	99,019
LIABILITIES			
Current liabilities			
Accruals and other payables	20	233	1,118
Amounts due to subsidiaries		8,703	2,733
Amount due to a related company	22	—	33,800
		8,936	37,651
Total equity and liabilities		99,487	136,670
Net current assets		48,727	99,019
Total assets less current liabilities		90,551	99,019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Turnover	25	17,476	38,339
Cost of sales		(13,998)	(36,466)
Gross profit		3,478	1,873
Other revenue	26	5,699	2,066
Other income	26	5,560	7,110
Increase in fair value of investment properties		590	—
Administrative expenses		(26,811)	(19,332)
Selling expenses		—	(29)
Impairment loss recognised in respect of film rights		—	(8,956)
Impairment loss recognised in respect of goodwill		—	(12,056)
Loss from operations	27	(11,484)	(29,324)
Finance costs	28	(9,615)	(340)
Loss before taxation		(21,099)	(29,664)
Taxation	31	(195)	—
Loss for the year		(21,294)	(29,664)
Attributable to:			
Equity holders of the Company		(21,294)	(29,664)
Loss per share attributable to the equity holders of the Company			
Basic	32	HK(0.33) cents	HK(0.61) cents
Diluted	32	N/A	N/A

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Contributed surplus	Special reserve	Properties revaluation reserve	Exchange reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note i)*	*HK$'000* *(Note ii)*	*HK$'000* *(Note iii)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	47,520	—	19,834	80,103	—	3,182	—	(82,068)	68,571	—	68,571
Reserve realised on disposal of leasehold land and building	—	—	—	—	—	(3,182)	—	—	(3,182)	—	(3,182)
Issuance of new shares	4,020	132,706	—	—	—	—	—	—	136,726	—	136,726
Share issue expenses	—	(4,841)	—	—	—	—	—	—	(4,841)	—	(4,841)
Net loss for the year	—	—	—	—	—	—	—	(29,664)	(29,664)	—	(29,664)
At 31 December 2005 and 1 January 2006	51,540	127,865	19,834	80,103	—	—	—	(111,732)	167,610	—	167,610
Issuance of new shares	13,303	252,761	—	—	—	—	—	—	266,064	—	266,064
Acquisition of a subsidiary	—	—	10	—	—	—	—	—	10	3,896	3,906
Special reserve arising from on acquisition of a subsidiary	—	—	—	—	(19,955)	—	—	—	(19,955)	—	(19,955)
Exchange differences arising from translation of investment in a foreign subsidiary	—	—	—	—	—	—	7,201	—	7,201	—	7,201
Net loss for the year	—	—	—	—	—	—	—	(21,294)	(21,294)	—	(21,294)
At 31 December 2006	64,843	380,626	19,844	80,103	(19,955)	—	7,201	(133,026)	399,636	3,896	403,532

Notes:

(i) The capital reserve of the Group represents the difference of the share capital and share premium of the subsidiaries and the nominal value of the 880 shares issued by Ocean Shores (BVI) Limited (now renamed Riche (BVI) Limited) prior to the allotment of 120 shares to Classical Statue Limited and the amount arising from issue of shares by a subsidiary.

(ii) The contributed surplus of the Group represents the net amount transferred from the share premium account and to the accumulated losses account pursuant to the special resolution passed at the special general meeting on 22 August 2003.

(iii) The special reserve represents the difference between the fair value and the contracted value of consideration in respect of the acquisition of Shinhan-Golden in the year ended 31 December 2006.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	2006 *HK$'000*	2005 *HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	(21,099)	(29,664)
Adjustments for:		
Interest income	(4,314)	(1,339)
Dividend income	(754)	—
Increase in fair value of financial assets at fair value through profit or loss	(5,360)	—
Increase in fair value of investment properties	(590)	—
Finance costs	9,615	340
Amortisation of film rights	—	10,332
Amortisation of interests in leasehold land	—	10
Depreciation of property, plant and equipment	652	1,108
Impairment loss on provision of bad and doubtful debts	—	1,390
Impairment loss recognised in respect of trade receivables	1,050	1,084
Impairment loss recognised in respect of prepayments	131	1,188
Impairment loss recognised in respect of film rights	—	8,956
Impairment loss recognised in respect of goodwill	—	12,056
Gain on disposal of leasehold land and buildings	—	(7,110)
Loss on disposals of property, plant and equipment	1,956	—
Reversal of overprovision of accruals in previous year	(200)	—
Operating cash flows before movements in working capital	(18,913)	(1,649)
(Increase)/decrease in inventories	(1,309)	9
Additions of film rights	—	(8,947)
Decrease in film rights deposits	14	—
Decrease in trade receivables	2,755	16,105
Decrease/(increase) in deposits, prepayments and other receivables	34,988	(50,037)
Decrease in fair value of financial assets at fair value through profit or loss	—	11,165
Decrease in available-for-sale financial assets	—	18,000
Decrease in deposit with a related company	—	5,000
Decrease in amount due from an associate	—	300
Decrease in trade payables	(1,714)	(269)
(Decrease)/increase in accruals and other payables	(41,337)	132
Increase/(decrease) in receipt in advance	1,335	(9,699)
(Decrease)/increase in amounts due to related companies	(34,226)	34,283
Cash (used in)/generated from operations	(58,407)	14,393
Tax prepaid	(3,303)	—
Net cash (used in)/generated from operating activities	(61,710)	14,393

	2006 *HK$'000*	2005 *HK$'000*
INVESTING ACTIVITIES		
Interest received	4,314	1,339
Dividend income	754	—
Proceeds from disposal of leasehold land and buildings	—	9,000
Proceeds from disposal of financial assets at fair value through profit or loss	13,461	—
Effect from acquisition of a subsidiary	415	95
Additions to investment properties	(15,852)	—
Purchase of financial assets at fair value through profit or loss	(5,634)	—
Purchase of property, plant and equipment	(1,156)	(53)
Net cash (used in)/generated from investing activities	(3,698)	10,381
FINANCING ACTIVITIES		
Interest paid	(9,615)	(340)
Issuance of new shares	—	131,179
Issuance of new shares upon exercise of warrants	—	706
Repayment of a secured bank loan	(250,000)	—
New secured bank loan raised	250,470	—
Repayment of convertible notes payable	—	(33,800)
Repayment of capital element of a finance lease	—	(6)
Net cash (used in)/generated from financing activities	(9,145)	97,739
Net (decrease)/increase in cash and cash equivalents	(74,553)	122,513
Effect on foreign exchange rate	(280)	—
Cash and cash equivalents at the beginning of the year	137,973	15,460
Cash and cash equivalents at the end of the year	63,140	137,973
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	63,140	137,973

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's principal activity is investment holding and the principal activities of its subsidiaries are set out in note 9 to the financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. A summary of the new HKFRSs is set out as below:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS — Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new HKFRSs did not have significant impact on the Group's result and financial position for the current or prior accounting periods.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) — Int 8	Scope of HKFRS 2[4]
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions[7]
HK(IFRIC) — Int 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

3. Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

The financial statements have been prepared under historical cost convention except for certain financial assets of fair value through profit or loss and investment properties which are carried at fair value. The preparation of 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 Dollar ("HK$"), the currency in which the majority of the Group's transactions is denominated.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(c) Revenue recognition

Revenue from distribution of films is recognised when video products or master materials of films are delivered to customers and the title has passed.

Revenue from sub-licensing of film rights is recognised upon delivery of master materials of films to customers.

Proceeds from sales of financial assets at fair value through profit or loss are recognised when sale and purchase contracts became unconditional.

Rental income, including rentals invoiced in advance, from properties under operating lease is recognised on a straight-line basis over the period of the respective leases.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(d) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

i. Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

ii. Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(e) 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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than 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 arising on investment in subsidiaries and associates, 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the 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 the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight-line method, over their estimated useful lives. The principal annual rates are as follows:

Buildings	2%
Leasehold improvements	33.3%
Office equipment	20%
Motor vehicles	20%
Furniture and fixtures	15%

The gain or loss arising from disposal of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the income statement in the year the asset is derecognised.

(g) Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in the income statements the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognised.

(h) Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(i) Goodwill

Goodwill arising on an acquisition of a subsidiary or an associate represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate is included in the cost of the investment of the relevant associate.

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 are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an 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 to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(j) Inventories

Inventories on finished goods are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Inventories on stock of properties, which are held for trading, is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on the prevailing market conditions.

(k) Financial instruments

The Group classifies its investment in securities in the following categories depends on the purpose of such investment were acquired. Management determines the classification of its investments at initial recognition and re-evaluate this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables included loan receivables, convertible notes receivables and trade receivables.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the year in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale financial assets are recognised in equity. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(o) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at the lower of fair values or the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

(p) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the accounts of Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Hong Kong dollars ("HK$").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Transaction difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(q) Employee benefits

(i) Bonuses

The Group recognises a liability for bonuses when there is a contractual obligation and the amount can be estimated reliably.

(ii) Retirement benefit obligations

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme'') under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% to 10% of the employees' relevant income, with the employees' contributions subject to a cap of monthly relevant income of HK$20,000. The Group's contributions to the scheme are expensed as incurred. 5% of relevant income vests immediately upon the completion of service in the relevant service period, while the remaining portion vests in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

(iii) Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the income statement.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity in the balance sheet will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts when the share options are exercised and when the restricted share awards are vested.

(r) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(s) Related parties transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(t) Financial guarantees issued and provisions

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within creditors and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligations. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

4. Financial Risk Management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk — Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that distribution of films and sub-licensing of film rights to customers with an appropriate credit history.

(c) Liquidity risk

The Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

(d) Cash flow and fair value interest-rate risk

The Group's cash flow interest-rate risk arises from bank borrowings. The Group's fair value interest-rate risk mainly arises from fixed-rate short-term bank deposits. The Group currently does not have an interest-rate hedging policy. However, the management monitors interest-rate exposure and will consider hedging significant interest-rate exposure should need arises.

4.2 Fair value estimation

The carrying amounts of the Group's financial assets, including cash and bank balances, trade receivables, deposits, prepayments and other receivables, and financial liabilities, including trade payables, other payables, accruals and amounts due to related companies, approximate to their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

In assessing the fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid price.

The fair value of financial instrument that are not traded in an active market (for example, available-for-sale financial assets) is determined by using valuation techniques. The Group uses a variety of methods, such as estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

5. Critical Accounting Estimates and Judgements

Estimates and judgements 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 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) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 3(i) to the financial statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations. Information about the assumptions and the risk factors on impairment of goodwill are stated in note 10 to the financial statements.

(b) Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(c) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of fixed assets in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(d) Estimate of fair values of investment properties

As described in note 8 to the financilal statements, the investment properties were revalued at the balance sheet date on market value basis by reference to independent professional valuers. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions at each balance sheet date.

6. Business and Geographical Segments

Business segments

For management purposes, the Group is currently organised into four operating divisions, namely distribution, sub-licensing, sales of financial assets and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Distribution	Distribution of films
Sub-licensing	Sub-licensing of film rights
Sales of financial assets	Sales of financial assets at fair value through profit or loss
Property investment	Leasing of rental properties

Segment information about these businesses for the years ended 31 December 2006 and 2005 is presented below.

Consolidated income statement for the year ended 31 December 2006

	Distribution	**Sub-licensing**	**Sales of financial assets**	**Property investment**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	164	200	15,229	1,883	17,476
Segment profit	74	23	1,768	1,613	3,478
Unallocated corporate income					11,849
Unallocated corporate expenses					(26,811)
Loss from operations					(11,484)
Finance costs					(9,615)
Loss before taxation					(21,099)
Taxation					(195)
Net loss for the year attributable to equity holders of the Company					(21,294)

Consolidated balance sheet at 31 December 2006

	Distribution	Sub-licensing	Sales of financial assets	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	804	7,593	32,156	815,360	855,913
Unallocated corporate assets					66,315
Consolidated total assets					922,228
Liabilities					
Segment liabilities	—	3,055	970	486,954	490,979
Unallocated corporate liabilities					27,717
Consolidated total liabilities					518,696

Other segment information for the year ended 31 December 2006

	Distribution	Sub-licensing	Sales of financial assets	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions of property, plant and equipment	—	—	23	18	41
Depreciation and amortisation	143	1	468	40	652
Impairment losses recognised	1,295	—	—	—	1,295

Consolidated income statement for the year ended 31 December 2005

	Distribution	Sub-licensing	Sales of financial assets	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	9,382	10,534	18,423	38,339
Segment profit/(loss) before impairment losses recognised in respect of film rights and goodwill	2,443	(4,613)	(2,045)	(4,215)
Impairment loss recognised in respect of film rights	(8,956)	—	—	(8,956)
Impairment loss recognised in respect of goodwill	—	(12,056)	—	(12,056)
Segment loss	(6,513)	(16,669)	(2,045)	(25,227)
Unallocated corporate income				9,176
Unallocated corporate expenses				(13,273)
Loss from operations				(29,324)
Finance costs				(340)
Loss before taxation				(29,664)
Taxation				—
Net loss for the year attributable to equity holders of the Company				(29,664)

Consolidated balance sheet at 31 December 2005

	Distribution	Sub-licensing	Sales of financial assets	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Segment assets	4,582	4,729	41,869	51,180
Unallocated corporate assets				184,047
Consolidated total assets				235,227
Liabilities				
Segment liabilities	2,439	6,172	—	8,611
Unallocated corporate liabilities				59,006
Consolidated total liabilities				67,617

Other segment information for the year ended 31 December 2005

	Distribution	Sub-licensing	Sales of financial assets	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions of film rights	3,600	5,347	—	—	8,947
Depreciation and amortisation	3,246	7,086	1,108	10	11,450
Impairment losses recognised	1,661	8,483	12,056	—	22,200

Geographical segments

The Group mainly operates in Hong Kong, Macau and The People's Republic of China ("the PRC"). The following table provides an analysis of the Group's turnover and segment results by geographical market, irrespective of the origin of the goods and services:

	Turnover		Segment results	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong and Macau	15,393	18,892	7,201	(1,550)
PRC	2,083	19,447	1,636	3,422
	17,476	38,339	8,837	1,872

The following is an analysis of the carrying amounts of segment assets, segment liabilities, capital expenditures and depreciation, analysed by geographical area in which the assets and liabilities located:

	Segment assets		Segment liabilities		Capital expenditures		Depreciation	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong and Macau	32,960	56,198	970	1,161	1,139	52	611	1,086
PRC	822,953	5,101	490,009	3,740	18	—	41	2
	855,913	61,299	490,979	4,901	1,157	52	652	1,088

7. Property, Plant and Equipment

The Group

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2005	3,537	2,136	4,058	1,633	2,128	13,492
Additions	—	39	14	—	—	53
Disposals	(3,537)	—	(1)	—	—	(3,538)
At 31 December 2005 and 1 January 2006	—	2,175	4,071	1,633	2,128	10,007
Additions	—	1,115	41	—	—	1,156
Acquired on acquisition of a subsidiary *(note 33)*	—	—	1,926	—	—	1,926
Disposals	—	(909)	(5,297)	—	(1,030)	(7,236)
Exchange alignments	—	—	20	—	—	20
At 31 December 2006	—	2,381	761	1,633	1,098	5,873
Accumulated depreciation						
At 1 January 2005	—	1,572	2,400	576	969	5,517
Charged for the year	35	385	310	211	167	1,108
Eliminated on disposals	(35)	—	(1)	—	—	(36)
At 31 December 2005 and 1 January 2006	—	1,957	2,709	787	1,136	6,589
Charged for the year	—	223	155	169	105	652
Acquisition of a subsidiary *(note 33)*	—	—	1,446	—	—	1,446
Eliminated on disposals	—	(873)	(3,831)	—	(576)	(5,280)
Exchange alignment	—	—	(2)	—	—	(2)
At 31 December 2006	—	1,307	477	956	665	3,405
Net book value						
At 31 December 2006	—	1,074	284	677	433	2,468
At 31 December 2005	—	218	1,362	846	992	3,418

8. Investment Properties

	HK$'000
FAIR VALUE	
At 31 December 2005 and 1 January 2006	—
Acquisition of a subsidiary *(note 33)*	641,982
Additions	15,852
Exchange alignment	19,576
Increase in fair value recognised in the consolidated income statement	590
At 31 December 2006	678,000

The fair value of the Group's investment properties at 31 December 2006 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is member of the Hong Kong Institute of Valuers, has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, were arrived at by reference to market evidence of transation prices for similar properties.

The fair value of investment properties shown above comprises:

	2006	**2005**
	HK$'000	*HK$'000*
Outside Hong Kong:		
Long-term lease	678,000	—

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.

All of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

9. Interests in Subsidiaries

	The Company 2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	83,553	83,553
Impairment loss recognised	(83,553)	(83,553)
	—	—
Amounts due from subsidiaries	562,170	249,304
Provision for impairment	(520,346)	(249,304)
	41,824	—

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the carrying amounts of the amounts due from subsidiaries at 31 December 2006 approximate to their fair values. They will not be demanded for repayment within twelve months from the balance sheet date and the months due from subsidiaries are therefore shown as non-current.

The carrying amounts of the interests in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

The amounts due to subsidiaries are unsecured interest free and repayable on demand. The carrying amounts of amounts due to subsidiaries approximate to their fair value.

Details of the Company's subsidiaries at 31 December 2006 are set out as follows:

Name of subsidiary	Country/place of incorporation	Particulars of issued share capital/ registered capital	Principal activities and place of operation
Beijing Jian Guo Real Estate Development Co., Limited	British Virgin Islands	1 ordinary share of US$1	Dormant
Bluelagoon Investment Holdings Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding, sales of financial assets, distribution of films and sub-licensing of film rights in the PRC
Dragon Leader Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding
Gainful Fortune Limited	British Virgin Islands	160,000,100 ordinary shares of HK$1 each	Holdings of film rights
Legend Rich Limited	British Virgin Islands	1 ordinary share of US$1	Distribution of video products in the PRC through a PRC agent
Ocean Shores Licensing Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	Holdings of film rights outside Hong Kong

Name of subsidiary	Country/place of incorporation	Particulars of issued share capital/ registered capital	Principal activities and place of operation
Riche Advertising Limited	British Virgin Islands	1 ordinary share of US$1	Sales of financial assets
Riche (BVI) Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	Investment holding in Hong Kong
Riche Distribution Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	Sub-licensing of film rights in Hong Kong and sales of financial assets
Riche International (Macao Commercial Offshore) Limited	Macau	1 share of MOP100,000	Distribution of films and sub-licensing of film rights in the PRC
Riche Multi-Media Limited	Hong Kong	2 ordinary shares of HK$1 each	Distribution of films and other video features in the PRC
Riche Pictures Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding in Hong Kong
Riche Video Limited	Hong Kong	10 ordinary shares of HK$100 each 20,000 non-voting deferred shares of HK$100 each*	Distribution of video products in Hong Kong
Shinhan-Golden Faith International Development Limited	British Virgin Islands	10,000,000 ordinary shares of US$1 each	Investment holding in the PRC
World East Investments Limited	British Virgin Islands	1 ordinary share of US$1	Distribution of films and sub-licensing of film rights in the PRC through a PRC agent
北京建國房地產開發有限公司 (“Beijing Jianguo Real Estate Development Co. Ltd”)	the PRC	Registered capital of US$15,000,000	Property investment in the PRC

* The non-voting deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.

The Company directly holds the interest in Riche (BVI) Limited. All other subsidiaries are indirectly held by the Company.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

10. Goodwill

	The Group
	HK$'000
Cost	
At 1 January 2005	39,530
Elimination of goodwill on adoption of HKFRS 3	(7,058)
Acquisition of a subsidiary *(note i)*	7,656
At 31 December 2005 and 1 January 2006	40,128
Acquisition of a subsidiary *(note ii)*	77,284
At 31 December 2006	117,412
Accumulated impairment	
At 1 January 2005	35,130
Elimination of goodwill on adoption of HKFRS 3	(7,058)
Impairment loss recognised *(note iii)*	12,056
At 31 December 2005 and 1 January 2006	40,128
Impairment loss recognised	—
At 31 December 2006	40,128
Carrying amounts	
At 31 December 2006	77,284
At 31 December 2005	—

Notes:

(i) On 19 April 2005, the Group exercised the right under the convertible notes issued by Gainful Fortune Limited ("Gainful Fortune") to convert the outstanding principal of HK$160,000,000 into shares of Gainful Fortune at a conversion price of HK$1 per share. Since then, Gainful Fortune and its wholly-owned subsidiary, Ocean Shores Licensing Limited, (hereinafter collectively refer to as the "Gainful Fortune Group") became subsidiaries of the Company. As a result, a positive goodwill of approximately HK$7,656,000 arose from the acquisition of Gainful Fortune.

(ii) On 21 June 2006, the Group acquired 100% of the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and the debts owed by Shinhan-Golden to Northbay Investments Holdings Limited ("Northbay"). The total consideration of this acquisition at fair value was approximately HK$246,109,000. As a result, a positive goodwill of approximately HK$77,284,000 arose from the acquisition of Shinhan-Golden.

(iii) Due to the continuous losses incurred by the Gainful Fortune Group and World East Investments Limited, the directors reassessed the recoverable amounts of goodwill and made impairment losses on goodwill of approximately HK$7,656,000 and HK$4,400,000 respectively in the year ended 31 December 2005.

Impairment of goodwill

Goodwill arising from the acquisition of Shinhan-Golden has been allocated to the leasing of rental property, which is property investment segment and is the cash-generating units ("CGU") identified.

During the year, the directors reassessed the recoverable amount of the CGU with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuers, and determined that no impairment loss on goodwill associated with the CGU was identified.

The recoverable amount of the CGU was assessed by reference to value-in-use calculation. A discount rate of 16.14% per annum was applied in the value-in-use model which uses cash flow projection based on financial forecasts approved by the directors (the "Approved Forecast") covering a five-year period. Cash flows beyond the five-year period have been extrapolated using a steady 7% growth rate. The growth rate is made by reference to National Bureau of Statistics of China and does not exceed the long-term average growth rate for the market in which the CGU operates. There are a number of assumptions and estimates involved for the preparation of the cash flow projection for the period covered by the Approved Forecast. Key assumptions include gross margin, growth and discount rate which are determined by management of the Group based on past experience and its expectation for market development. Gross margin are budgeted gross margin. Growth rate represents the rate used to extrapolate cash flows beyond the five-year budgeted period and is consistent with the Approved Forecast. The discount rate used is pre-tax and reflects specific risks relating to the market.

11. Inventories

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Finished goods	—	6
Properties held for sale	45,154	—
	45,154	6

At 31 December 2006, all inventories were carried at lower of cost and net realisable value.

Properties held for sale solely comprised of certain units of apartment held by Beijing Jianguo, a subsidiary of Shinhan-Golden, of which sale and purchase agreements were entered into and full considerations have been received by Beijing Jianguo in respect of these units of apartment (note 21 to the financial statements). However, the transfer of legal titles of these units of apartment have not yet been completed at the date of the approval of the financial statements.

12. Trade Receivables

The granting of distribution rights and sub-licensing of film rights are covered by customers' deposits placed with the Group. The balance is receivable upon delivery of master materials to customers.

The following is an aged analysis of the trade receivables at the balance sheet date:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
0 – 30 days	—	386
31 – 60 days	—	258
61 – 90 days	—	426
Over 90 days	1,986	4,743
	1,986	5,813
Less: impairment loss recognised in respect of trade receivables	(1,050)	(1,084)
	936	4,729

The Group allows an average credit period of 90 days to its customers.

The carrying amounts of trade receivables approximate their fair values.

13. Deposits, Prepayments and Other Receivables

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	9,356	41,734	1,801	—
Prepayment	1,842	1,195	—	—
Other receivables	8,187	13,851	—	—
	19,385	56,780	1,801	—
Less: Impairment loss recognised in respect of prepayments	(131)	(1,188)	—	—
Impairment loss on provision of bad and doubtful debts	—	(1,390)	—	—
	19,254	54,202	1,801	—

The carrying amounts of deposits, prepayments and other receivables approximate to their fair values.

14. Financial Assets at Fair Value Through Profit or Loss

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at market value	28,100	30,567

At the balance sheet date, all financial assets at fair value through profit or loss are stated at fair values. Fair values of those listed investments have been determined by reference to the quoted market bid price available on the relevant Stock Exchanges.

15. Tax Prepayments

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Tax reserve certificate	3,055	3,055
Tax paid in advance	4,665	1,091
	7,720	4,146

Tax reserve certificate bears interest rate at 0.01% per annum. Details of the tax paid in advance were set out in note 31 to the financial statements

16. Cash and Cash Equivalents

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits with banks and other financial institutions	52,097	132,250	52,097	132,250
Cash at bank and in hand	11,043	5,723	3,765	4,420
Cash and cash equivalents per cash flow statement	63,140	137,973	55,862	136,670

The effective interest rates of deposits in banks and other financial institutions for the year were 3% to 4% (2005: 3% to 4.2%).

17. Share Capital

Shares

Movements in the share capital of the Company during the year were as follows:

	Number of shares		Share capital	
	2006	**2005**	**2006**	**2005**
	'000	*'000*	*HK$'000*	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At 31 December	20,000,000	20,000,000	200,000	200,000
Issued and fully paid:				
At 1 January	5,154,018	475,200	51,540	47,520
Share subdivision *(note i)*	—	4,276,800	—	—
Issuance of new shares *(notes ii and iii)*	1,330,322	402,018	13,303	4,020
At 31 December	6,484,340	5,154,018	64,843	51,540

Notes

(i) At the general meeting of the Company held on 14 January 2005, resolutions were passed to approve, among other things, the share subdivision on the basis of one share of HK$0.10 in the issued and unissued share capital of the Company be subdivided into 10 subdivided shares of HK$0.01 each in the issued and unissued share capital of the Company. The share subdivision became effective on 17 January 2005.

(ii) On 12 September 2005, 400,000,000 new shares of HK$0.01 each were allotted and issued at a price of HK$0.34 per share pursuant to a placing and subscription agreement dated 7 September 2005. The net proceeds of approximately HK$131,179,000 were intended to be used for investment in other relevant business opportunities that may arise in the future and for general working of the Group. An amount of approximately HK$132,000,000 has been recognised as share premium during the year ended 31 December 2005.

(iii) On 21 June 2006, 1,330,321,745 new shares of HK$0.01 each were allotted and issued to Northbay at a price of HK$0.20 per share to settle the consideration of HK$266,064,350 in respect of the acquisition of 100% of the issued share capital of Shinhan-Golden and the debts owed by Shinhan-Golden to Northbay. An amount of approximately HK$252,761,000 has been recognised as share premium during the year ended 31 December 2006.

Warrants

During the year ended 31 December 2002, the Company issued 95,040,000 warrants by way of bonus to the shareholders on the basis of one warrant for every five shares of HK$0.10 each in the share capital of the Company held on 27 May 2002. Each warrant entitled the holder to subscribe for one share of HK$0.10 in the Company at an initial subscription price of HK$3.60 per share, subject to adjustment, at any time on or after 17 June 2002 up to and including 16 June 2005.

As a result of the share subdivision in January 2005, the subscription price of the warrants was adjusted from HK$3.60 per share of HK$0.10 to HK$0.36 per share of HK$0.01 with effect from 17 January 2005.

During the year ended 31 December 2005, 2,018,000 warrants were exercised and converted into 2,018,000 shares of HK$0.01 each at HK$0.36 per share. All other warrants expired on 16 June 2005.

18. Reserves

The Company

	Share premium	**Contributed surplus**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	—	*163,456	(150,603)	12,853
Issuance of new shares	132,706	—	—	132,706
Share issue expenses	(4,841)	—	—	(4,841)
Net loss for the year	—	—	(93,239)	(93,239)
At 31 December 2005 and 1 January 2006	127,865	*163,456	(243,842)	47,479
Issuance of new shares	252,761	—	—	252,761
Net loss for the year	—	—	(274,532)	(274,532)
At 31 December 2006	380,626	*163,456	(518,374)	25,708

* The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition as well as the net amount transferred from the share premium account and to the accumulated losses account pursuant to the special resolution passed at a special general meeting on 22 August 2003.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account 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:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31 December 2006, the Company had no reserve available for distribution.

19. Trade Payables

The following is an aged analysis of fair value of the trade payables at the balance sheet date:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
China Star Entertainment Limited and its subsidiaries ("China Star Group"):		
0 –30 days	—	3
31 –60 days	—	—
61 – 90 days	—	—
Over 90 days	—	15
	—	18

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Others:		
0 –30 days	—	—
31 – 60 days	—	—
61 – 90 days	—	—
Over 90 days	—	1,696
	—	1,696
	—	1,714

China Star Entertainment Limited ("China Star") is a substantial shareholder of the Company.

20. Accruals and Other Payables

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	2,965	1,971	233	1,118
Other payables	11,203	5,648	—	—
Tax payables *(note i)*	6,040	—	—	—
	20,208	7,619	233	1,118

Note:

(i) The tax payable represented provision for land appreciation tax on certain units of apartment sold by Beijing Jianguo prior to 2003 (note 11 to the financial statements). According to the PRC tax law and regulation, 30% of land appreciation tax was accrued in the financial statements.

The carrying amounts of accruals and other payables approximate to their fair values.

21. Receipts in Advance

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Trade deposit received	483	483
Receipts in advance	60,415	—
	60,898	483

At 31 December 2006, receipts in advance represented the full amount of considerations received from sales of certain units of apartment, details of which are set out in note 11 to the financial statements. Since the transfer of legal titles on the ownerships of these units have not yet been completed at the date of the approval of these financial statements, no revenue could be recognised for the year and the total amount was recorded as receipts in advance.

22. Amounts Due to Related Companies

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
China Star *(note i)*	—	33,800	—	33,800
China Star's subsidiaries *(note ii)*	606	1,032	—	—
	606	34,832	—	33,800

Notes:

(i) The amount due to China Star was unsecured, interest bearing at 1% per annum and matured on 19 April 2006.

(ii) The amounts due to China Star's subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

23. Secured Bank Loans

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Secured bank loans	357,427	—
The maturity of the above borrowings is as follows:		
Within one year	5,470	—
Between one and two years	25,000	—
Between two and five years	326,957	—
Over five years	—	—
	357,427	—
Less: Amount due within one year shown under current liabilities	(5,470)	—
Amount due after one year	351,957	—

The secured bank loans bear interest at rates ranging from 6.16% to 6.41% per annum.

All the Group's secured bank loans are denominated in RMB.

The secured bank loans are secured by the Groups investment properties in the PRC with fair value of approximately HK$678,000,000.

The carrying amounts of the secured bank loans approximate to their fair values.

24. Deferred Taxation

The followings are the major deferred tax liabilities and assets recognised by the Group and movements thereon:

	Accelerated tax depreciation	**Estimated tax losses**	**Revaluation of investment properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	427	(427)	—	—
Credit to income statement for the year *(note 31)*	(173)	173	—	—
At 31 December 2005 and 1 January 2006	254	(254)	—	—
Acquisition of a subsidiary	—	—	54,488	54,488
Exchange alignment	—	—	1,634	1,634
Charge to income statement for the year *(note 31)*	—	—	195	195
At 31 December 2006	254	(254)	56,317	56,317

At 31 December 2006, the Group had unused estimated tax losses of approximately HK$80,960,000 (2005: HK$50,935,000) available for offset against future profits. A deferred tax asset of approximately $254,000 (2005: HK$254,000) has been recognised. No deferred tax asset has been recognised in respect of the remaining balance of approximately HK$14,422,000 (2005: HK$8,666,000) due to the unpredictability of future profit streams.

25. Turnover

	2006	**2005**
	HK$'000	*HK$'000*
Distribution of films	164	9,382
Sub-licensing of film rights	200	10,534
Sales of financial assets at fair value through profit or loss	15,229	18,423
Rental income	1,883	—
	17,476	38,339

26. Other Revenue and Other Income

	2006	**2005**
	HK$'000	*HK$'000*
Other revenue		
Dividend income from financial assets at fair value through profit or loss	754	627
Interest income on bank deposits	4,314	1,339
Sundry income	631	100
	5,699	2,066
Other income		
Gain on disposal of leasehold land and buildings	—	7,110
Increase in fair value of financial assets at fair value through profit or loss	5,360	—
Reversal of overprovision of accruals in previous years	200	—
	5,560	7,110

27. Loss from Operations

	2006	2005
	HK$'000	*HK$'000*
Loss from operations has been arrived after charging:		
Amortisation of prepaid operating lease payment	—	10
Amortisation of film rights	—	10,332
Auditors' remuneration	600	500
Cost of inventories sold	89	33
Decrease in fair value of financial assets at fair value through profit or loss	—	3,928
Depreciation of property, plant and equipment		
— owned assets	652	1,098
— leased assets	—	10
Impairment loss recognised in respect of trade receivables	1,050	1,084
Impairment loss on provision of bad and doubtful debts	—	1,390
Impairment loss recognised in respect of film right deposits	14	—
Impairment loss recognised in respect of prepayments	131	1,188
Loss on disposal of property, plant and equipment	1,956	—
Operating lease rental in respect of rented premises	1,710	900
Staff costs including directors' emoluments		
— Salaries	7,258	6,813
— Contribution to retirement benefits scheme	117	143

28. Finance Costs

	2006	2005
	HK$'000	*HK$'000*
Interest on borrowing wholly repayable within five years:		
— convertible notes payable	—	100
— loan payable	100	238
— secured bank loans	9,515	—
— a finance lease	—	2
	9,615	340

29. Directors' Emoluments

The board of directors is currently composed of two executive directors and three independent non-executive directors.

The aggregate amount of emoluments payable to the directors during the year was HK$360,000 (2005: HK$1,710,000). The remuneration of every director for the years ended 31 December 2006 and 2005 is as below:

Name of director	Fees		Salaries and bonuses		Mandatory provident fund		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Heung Wah Keung	—	—	—	—	—	—	—	—
Ms. Chen Ming Yin, Tiffany	—	—	—	—	—	—	—	—
Mr. Lei Hong Wai *(note i)*	—	—	—	1,341	—	9	—	1,350
Mr. Tang Chak Lam, Gilbert	120	120	—	—	—	—	120	120
Mr. Ho Wai Chi, Paul	120	120	—	—	—	—	120	120
Mr. Lien Wai Hung *(note ii)*	120	90	—	—	—	—	120	90
Mr. Lai Hok Lim *(note iii)*	—	30	—	—	—	—	—	30
	360	360	—	1,341	—	9	360	1,710

Notes:

(i) Mr. Lei Hong Wai resigned as a director on 13 October 2005.

(ii) Mr. Lien Wai Hung was appointed as a director on 12 April 2005.

(iii) Mr. Lai Hok Lim resigned as a director on 12 April 2005.

30. Five Highest Paid Individuals

Of the five individuals whose emoluments were the highest in the Group for the year include Nil (2005: one) director whose emoluments are reflected in note 29 to the financial statements and amounted to HK$ Nil (2005: HK$ 1,350,000). The emoluments payable to the remaining five individual (2005: four) during the year were as follow:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries and other allowances	4,545	2,244
Retirement benefits scheme contributions	48	48
	4,593	2,292

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

31. Taxation

	2006	**2005**
	HK$'000	*HK$'000*
The taxation charge is as follows:		
Transfer from deferred tax *(note 24)*	195	—

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2006 and 2005 as the Group either has no estimated assessable profit or its estimated assessable profit is wholly absorbed by the estimated tax loss brought forward.

The taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2006		**2005**	
	HK$'000	*%*	*HK$'000*	*%*
Loss before taxation	(21,099)		(29,664)	
Taxation at income tax rate of 17.5%	3,692	17.5	5,191	17.5
Tax effect of income that is not taxable in determining taxable profit	10,628	50.4	8,554	28.8
Tax effect of expenses that are not deductible in determining taxable profit	(1,833)	(8.7)	(11,308)	(38.1)
Tax losses not yet recognised	(12,487)	(59.2)	(2,437)	(8.2)
Increase in deferred tax	(195)	(0.9)	—	—
Taxation charge for the year	(195)	(0.9)	—	—

In April 2002, April 2003, March 2004, and January 2005, the Inland Revenue Department ("the IRD") of Hong Kong issued estimated assessments to Ocean Shores Licensing Limited ("OSLL") in respect of its potential tax liabilities for the years of assessments from 1995/1996 to 2000/2001 in an aggregate amount of HK$22,971,000. OSLL has formally objected to the estimated assessments. The directors consider appropriate tax provision has already been made in the financial statements.

At the request of the IRD, the Group has already paid deposits totaling approximately HK$4,146,000 by way of purchase of a tax reserve certificates and monthly cash instalments.

32. Loss Per Share

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

	2006	**2005**
	HK$'000	*HK$'000*
Loss attributable to equity holders of the Company for the purposes of basis and diluted loss per share	(21,294)	(29,664)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	6,484,340	4,865,190
Effect on dilutive potential ordinary shares:		
Share options	—	—
Weighted averaged number of ordinary share for the purposes of diluted loss per share	6,484,340	4,865,190

The computation of diluted loss per share for the years ended 31 December 2006 and 2005 did not assume the exercise of the Company's share options because the effect of exercising an option to subscribe for an additional share in the Company would result in a decrease of loss per share.

33. Acquisition of Subsidiaries

On 21 June 2006, the Group acquired 100% interest of the issued share capital of Shinhan Golden and the debts owned by Shinhan-Golden to Northbay for consideration of approximately HK$266,064,000 and was settled by issue of 1,330,322,745 ordinary shares of HK$0.01 each in the share capital of the Company, which were allotted, issued and credited as fully paid at the price of HK$0.20 each. The aggregate amount of goodwill arising as a result of the acquisition was approximately HK$77,284,000.

The fair value of net assets acquired in the transaction and the goodwill arising are as follow:

	Acquiree's carrying amount before combination	**Fair value adjsutments**	**Fair value**
	HK$'000	*HK'000*	*HK$'000*
Property, plant and equipment	480	—	480
Investment properties *(note i)*	483,802	158,180	641,982
Trade receivables	12	—	12
Inventories	43,839	—	43,839
Deposit prepayments, and other receivables	171	—	171
Cash and cash equivalents	415	—	415
Accruals and other payables	(54,126)	—	(54,126)
Receipts in advance	(59,080)	—	(59,080)
Secured bank loans	(346,484)	—	(346,484)
Minority interest	(3,896)	—	(3,896)
Deferred taxation	—	(54,488)	(54,488)
Net assets required	65,133	103,692	168,825
Goodwill on acquisition			77,284
			246,109
Special reserve *(note ii)*			19,955
			266,064
Fair value of purchase consideration settled in issuance of new shares *(note iii)*			246,109
Net cash flow from acquisition of subsidiary:			
Cash paid			—
Cash and bank balances acquired			415
			415

Notes:

(i) The fair value of the investment properties was determined based on the valuation performed by DTZ Debenham Tie Leung Limited, an independent firm of qualified professional valuers and not connected with the Group, as at the acquisition date.

(ii) The difference between the fair value and the contracted value of consideration paid in respect of the acquisition of the acquired subsidiary.

(iii) The fair value of the consideration shares is determined based on the quoted closing price of the Company's share of HK$0.185 at the date of acquisition and 1,330,322,745 shares.

Details of the acquisition were disclosed in the Company's circular date 19 May 2006.

If the acquisition had been completed on 1 January 2006, total group turnover for the year would have been HK$19,803,000, and loss for the year would have been HK$21,867,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

During the year ended 31 December 2005, the Company acquired the remaining 59.99% interest in Gainful Fortune. The fair value of assets acquired and liabilities assumed as follows:

	2005
	HK$'000
Net assets acquired	
Other receivables	784
Cash and cash equivalents	95
Tax receivables	4,133
Receipt in advance	(8,978)
Accrual and other payables	(3,690)
	(7,656)
Goodwill	7,656
	—
Satisfied by	
Cash	—

Analysis of the net cash outflow in respect of the purchase of subsidiary:

	2005
	HK$'000
Cash consideration	—
Bank balances and cash in hand acquired	95
Net cash inflow in respect of the acquisition of subsidiary	95

No turnover was contributed from the subsidiary acquired during the year ended 31 December 2005 but contributed to the Group a loss of approximately HK$155,000 for the year. The subsidiary acquired contributed approximately HK$110,000 to the Group's net operating cash outflows. There was no significant impact of the Group's cash flows for investing and financing activities and payment of tax.

34. Commitments

(a) Lease commitments

As lessee

At 31 December 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year	1,332	539
In the second to fifth year inclusive	1,646	38
	2,978	577

Operating lease payments represented rentals payable by the Group for its office premises. Leases are mainly negotiated for an average term of two years and rentals are fixed for an average of two years.

As lessor

At 31 December 2006 the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of the Group's investment properties, which fall due as follows:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year	2,700	—

At the balance sheet date, the Company did not have any lease commitments.

(b) Other commitments

(i) At 31 December 2006, the Group had other commitments contracted but not provided for in the financial statements:

	2006	2005
	HK$'000	*HK$'000*
Renovation work in respect of the Group's investment properties	63,739	—
	63,739	—

(ii) Pursuant to the undertaking letters issued by the owners of 上海昇平文化發展有限公司 ("Shanghai Shengping") during the year ended 31 December 2003, they will transfer their ownership in Shanghai Shengping to the Group at price determined by the valuers in the PRC when the laws in the PRC allow foreign investors own more than 51% in Shanghai Shengping.

(iii) On 9 April 2005, the Group entered into a conditional sale and purchase agreement with Leadfirst Limited, a company wholly-owned by Mr. Benny Ki, as a seller, and Mr. Benny Ki, as a guarantor, pursuant to which the Group agreed to acquire 100% of the issued share capital of Best Winning Group Limited from Leadfirst Limited at a consideration of HK$600,000,000. Upon completion of the conditional sales and purchase agreement, the consideration shall be satisfied by the issue of convertible notes in principal amount of HK$500,000,000 and the payment of cash of HK$100,000,000. At 31 December 2005, the Group paid deposits amounted to HK$40,000,000 to Leadfirst Limited.

On 31 March 2006, the Company announced that the conditional sale and purchase agreement ceased and determined.

35. Contingencies

Save as disclosed in note 37 to the financial statements, the Group has no material contingent liabilities at 31 December 2006.

36. Banking Facilities

The Group's secured bank loans of approximately HK$357,427,000 (2005:HK$Nil) at 31 December 2006 were secured by:

(a) Legal charges over the Group's investment properties with the fair value of approximately HK$678,000,000; and

(b) Corporate guarantee provided by the Company.

37. Litigation

At 31 December 2006, save as disclosed below, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the directors to be pending or threatened against any member of the Group.

(a) The Commissioner of Inland Revenue had issued proceedings on 30 March 2005 against OSLL in respect of an aggregate amount of outstanding taxation of HK$13,928,226 for the estimated assessments for the years of assessments from 1998/1999 to 2000/2001. Provision for this amount has been made in the Group's audited financial statements for the year ended 31 December 2006. OSLL has formally objected to the estimated assessments and paid the outstanding tax by monthly cash instalments;

(b) A writ of summons and statement of claim was made by CL3 Architects Limited ("CL3") against Beijing Jianguo for a claim of approximately HK$2,500,000 over design contracts for the investment property with Beijing Jianguo. In the opinion of the directors, the outcome of this case is yet to be certain and considered no provision should be made; and

(c) A writ of summons and statement of claim was made by ICBC against Beijing Jianguo for a claim of approximately RMB1,197,000 (or approximately HK$1,197,000) over the non-repayment of a mortgage loan granted to a owner (the "Borrower") of an apartment unit in the Group's investment properties. The Borrower purchased the apartment unit from Beijing Jianguo in 2001 and the legal title of the apartment unit has not yet been transferred from Beijing Jianguo to the Borrower. On 15 December 2006, the PRC court made a verdict that Beijing Jianguo was liable to pay RMB1,197,000 if the Borrower failed to pay RMB1,197,000 to ICBC. Beijing Jianguo has appealed to the PRC court. Up to the date of this report, the PRC court is processing the appeal. In the opinion of the directors, no provision for this liability should be made as the sale proceed of the apartment unit has been fully received by Beijing Jianguo and the legal title of the apartment unit remains with Beijing Jianguo.

38. Equity Settled Share-based Transactions

(A) Share option scheme

Pursuant to an ordinary resolution passed at a special general meeting of the company held on 21 January 2002, the Company adopted a share option scheme (the "Option Scheme") to replace the share option scheme adopted by the Company on 19 January 2000.

The major terms of the Option Scheme are summarised as follows:

(a) the purpose was to provide incentives to:

(i) award and retain the participants who have made contributions to the Group; or

(ii) attract potential candidates to serve the Group for the benefit of the development of the Group.

(b) the participants included:

(i) — any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of, or

— any individual for the time being seconded to work for,

any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.

(ii) any holder of any securities issued by any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.

(iii) — any business or joint venture partner, contractor, agent or representative of,

— any person of entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to,

— any supplier, producer or licensor of films, television programmes, video features, goods or services to,

— any customer, licensee (including any sub-licensee) or distributor of films, television programmes, video features, goods or services of, or

— any landlord or tenant (including any sub-tenant) of,

any member of the Group or any controlling shareholder or a company controlled by a controlling shareholder.

and, for the purposes of the Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants.

(c) The maximum number of shares in respect of which share options might be granted under the Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Option Scheme and such limit might be refreshed by shareholders in general meeting. The total maximum number of shares which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The total number of shares available for issue under the Option Scheme at 31 December 2006 was approximately 475,401,800, which represented 7.33% of the issued share capital of the Company at 31 December 2006.

(d) The maximum number of shares in respect of share which share options might be granted to a participant, when aggregate with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any share option granted to the same participant under the Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue form time to time.

(e) The exercise period should be any period fixed by the board of directors upon grant of the share option but in any event the share option period should not go beyond 10 years from the date of offer for grant.

(f) There was no requirement for a grantee to hold the share option for a certain period before exercising the share option save as determined by the board of directors and provided in the offer of grant of share option.

(g) The acceptance of a share option, if accepted, must be made within 30 days from the date of grant with a non-refundable payment of HK$1 from the grantee to the Company.

(h) The exercise price of a share option must be highest of:

(i) the closing price of the share of the Company on the date of grant which day must be a trading day;

(ii) the average closing price of the share of the Company for the 5 trading days immediately preceding the date of grant; and

(iii) the nominal value of the share of the Company.

(i) The life of the Option Scheme is effective for 10 years from the date of adoption until the date of expiry.

The following table discloses details of the Company's share options granted under the Option Scheme held by the directors and the employees and movements in such holdings during the year:

(B) Share-based payment compensation

Following to the adoption of HKFRS2, Share-based Payment, the fair value of the employee services received in exchange for the grant of the options after 7 November 2002 is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

(i) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

				Number of share options		
Category of participants	**Date of grant**	**Exercise price per share** *HK$*	**Exercisable period** *(note i)*	**Outstanding at 1.1.2005 and 1.1.2006**	**Granted during 2006** *(note ii)*	**Outstanding at 31.12.2006**
Employees	8.3.2002	0.26	8.3.2002 — 7.3.2012	190,000,000	—	190,000,000
Employees	13.12.2004	0.194	13.12.2004 — 12.12.2014	275,700,000	—	275,700,000
				465,700,000	—	465,700,000

Notes:

(i) The exercisable period commenced on the date of grant of the relevant share options.

(ii) No share option was cancelled and exercised during the year.

39. Retirement Benefits Schemes

With effect from 1 December 2000, the Group has set up a defined contribution retirement scheme, the Mandatory Provident Fund Scheme (the "MPF Scheme"), for all the eligible employees of the Group. The Group did not provide retirement benefits for its employees prior to set up of the MPF Scheme.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to maximum of HK$1,000 per employee and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of each employee's monthly salaries up to a maximum of HK$1,000 (the "Mandatory Contribution"). The employees are entitled to 100% of the employer's Mandatory Contribution upon their retirement at the age of 65 years old, death or total incapacity.

40. Material Related Party Transactions

(a) During the year, the Group entered into the following transactions with China Star Group:

Nature of transactions	*Notes*	**2006** *HK$'000*	**2005** *HK$'000*
Interest expense			
— Loan interest	*(i)*	100	100
— Interest on convertible notes payable	*(i)*	—	238
Post-production expenses	*(ii)*	90	736
Repayment of convertible notes payable (i)		—	33,800
Loan received	*(i)*	—	(33,800)
Sale of leasehold land and buildings	*(iii)*	—	(9,000)
Purchase of distribution rights to films	*(iv)*	—	3,600
Purchase of film rights	*(v)*	—	5,347
Sale of film right	*(vi)*	(200)	—
Repayment of loan	*(vii)*	33,800	—

Notes:

(i) On 19 April 2005, the convertible notes payable of HK$33,800,000 issued by the Company were matured. China Star Group did not exercise the right to convert the outstanding principal amount of HK$33,800,000 into shares of the Company and the Company repaid HK$33,800,000 to China Star Group. On the same date, China Star granted a one year term loan of HK$33,800,000 to the Company. The loan was unsecured, interest bearing at 1% per annum and repayable on 19 April 2006.

(ii) The amounts were determined at prices agreed between the parties.

(iii) On 7 July 2005, the Group disposed its leasehold land and buildings to China Star Group at a total consideration of HK$9,000,000. The consideration was agreed between the parties on arms' length negotiations with reference to a property valuation done by an independent firm of professional chartered surveyors appointed by China Star Group.

The disposal constitutes a discloseable and connected transaction for the Company under Chapter 14 of the Listing Rules. Please refer to the Company's announcement dated 7 July 2005 and circular dated 29 July 2005 for details.

(iv) During the year ended 31 December 2005, the Group acquired the distribution rights of 5 films from China Star Group at a total consideration of HK$3,600,000.

(v) During the year ended 31 December 2005, the Group acquired the theatrical rights of 5 films from China Star Group at total license fees of HK$5,347,000.

(vi) During the year ended 31 December 2006, the Group sold four film rights to China Star Group.

(vii) During the year ended 31 December 2006, the Company repaid the one year term loan of HK$33,800,000 to China Star.

(b) Compensation for key management personnel

Remuneration for key management personnel, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in notes 29 and 30 to the financial statements, is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries	3,954	3,276
Contribution to retirement benefits scheme	24	36
	3,978	3,312

41. Pledge of Assets

At 31 December 2006, the Group has pledged its investment properties with fair value of HK$678,000,000 which are held by Beijing Jianguo to secure the bank loans amounted to HK$357,427,000.

42. Subsequent Events

(a) On 19 March 2007, Classical Statue Limited, a substantial shareholder of the Company, entered into a placing agreement and a top-up subscription agreement with a placing agent and the Company respectively. Pursuant to the placing agreement, Classical Statue Limited agreed to place, through the placing agent, an aggregate of 1,296,860,000 shares of HK$0.01 each, on a fully underwritten basis, to not fewer than six independent investors at a price of HK$0.04 per share (the "Placing"). Pursuant to the top-up subscription agreement, Classical Statue Limited conditionally agreed to subscribe for an aggregate of 1,296,860,000 new share of HK$0.01 each at a price of HK$0.04 per share (the "Top-Up Subscription"). The net proceeds from the Top-Up subscription of HK$50,500,000 are intended to be used for financing the possible diversified investments of the Group and the general working capital of the Group. The Placing and Top-Up Subscription were completed on 22 March 2007 and 30 March 2007 respectively.

(b) On acquisition of Shinhan-Golden, Beijing Jianguo had a secured bank loan of RMB361,734,837 (or approximately HK$361,735,000) granted by China Merchants Bank, of which RMB250,000,000 (or approximately HK$250,000,000)was the principal portion and RMB106,956,000 (or approximately HK$106,956,000) was the interest portion. On 21 December 2006, the Group had borrowed RMB250,000,000 (or approximately HK$250,000,000) from Hang Seng Limited to repay the principal portion of the secured bank loan granted by China Merchants Bank. On 23 March 2007, the Group received a confirmation from China Merchants Bank stating China Merchants Bank agreed to waive the interest portion of RMB106,956,000 (or approximately HK$106,956,000).

(c) On 4 April 2007, the board of directors proposes that every ten existing ordinary shares of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one ordinary share of HK$0.10 each (the "Consolidated Shares") in the issued and unissued share capital of the Company (the "Share Consolidation"). The implementation of the Share Consolidation is conditional upon (i) the passing of the resolution by the shareholders to approve the Share Consolidation at the special general meeting which is expected to be held in May 2007; and (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation becoming effective and any Consolidated Shares which may fail to be issued upon exercise of the share options.

(d) On 4 April 2007, the Company has conditionally agreed to place (the "Placing"), through a placing agent on a fully underwritten basis, 155,620,000 Consolidated Shares (the "Placing Shares") to independent investors at a price of HK$0.55 per Placing Share. The Placing is conditional upon (i) the Share Consolidation becoming effective; (ii) the passing of the resolution by the shareholders to approve the allotment, issue and dealing with the Placing Shares under the Placing at a special general meeting which is expected to be held in May 2007; (iii) the Listing Committee of the Stock Exchange granting and agreeing to grant the listing of, and permission to deal in, the Placing Shares; and (iv) the obligations of the placing agent under the placing agreement becoming unconditional and not being terminated in accordance with the terms of the placing agreement, including provisions regarding force majeure event. The net proceeds from the Placing of HK$83,300,000 are intended to be used for financing the possible diversified investments of the Group and the general working capital of the Group.

43. Approval of Financial Statements

The financial statements were approved by the board of directors on 26 April 2007.

3. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE GROUP

The following is an extract of the unaudited condensed consolidated interim financial statements from the interim report of the Company for the six months ended 30 June 2007:

Condensed Consolidated Income Statement
for the six months ended 30 June 2007

		Six months ended 30 June	
		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	29,191	12,762
Cost of sales		(24,465)	(9,965)
Gross profit		4,726	2,797
Other revenue	*4*	1,307	3,090
Other income	*4*	122,593	4,430
Administrative expenses		(15,656)	(8,574)
Share-based payment expenses		(13,688)	—
Loss on disposal of property, plant and equipment		—	(1,034)
Provision for impairment of trade receivables		—	(1,050)
Provision for impairment of deposits, prepayments and other receivables		—	(131)
Profit/(loss) from operations	*5*	99,282	(472)
Finance costs	*6*	(8,334)	(668)
Profit/(loss) before taxation		90,948	(1,140)
Taxation	*7*	—	—
Profit/(loss) for the period		90,948	(1,140)
Attributable to:			
Equity holders of the Company		90,948	(1,140)
Dividend	*8*	—	—
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company			
— Basic	*9*	HK12.05 cents	(HK0.22 cents)
— Diluted	*9*	HK11.96 cents	(HK0.22 cents)

Condensed Consolidated Balance Sheet

	Notes	At 30 June 2007 HK$'000 (Unaudited)	At 31 December 2006 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	9,677	2,468
Investment properties	*11*	701,079	678,000
Goodwill		77,284	77,284
Available-for-sale financial assets		172	172
		788,212	757,924
Current assets			
Inventories	*12*	45,154	45,154
Trade receivables	*13*	736	936
Deposits, prepayments and other receivables		14,746	19,254
Financial assets at fair value through profit or loss		19,392	28,100
Tax prepayments		9,720	7,720
Cash and cash equivalents		203,961	63,140
		293,709	164,304
Total assets		1,081,921	922,228
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*14*	96,614	64,843
Reserves		556,208	334,793
		652,822	399,636
Minority interests		3,896	3,896
		656,718	403,532

	Notes	At 30 June 2007 HK$'000 (Unaudited)	At 31 December 2006 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Accruals and other payables		15,079	20,208
Receipts in advance	*15*	60,838	60,898
Amounts due to related companies	*16*	600	606
Secured bank loan — due within one year	*17*	15,000	5,470
Tax payable		22,969	23,240
		114,486	110,422
Non-current liabilities			
Secured bank loan — due after one year	*17*	254,400	351,957
Deferred taxation		56,317	56,317
		310,717	408,274
Total equity and liabilities		1,081,921	922,228
Net current assets		179,223	53,882
Total assets less current liabilities		967,435	811,806

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2007

	Attributable to equity holders of the Company										
	Share capital	Share premium	Share-based payment reserve	Capital reserve	Contributed surplus	Special reserve	Exchange reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2006	51,540	127,865	–	19,834	80,103	–	–	(111,732)	167,610	–	167,610
Issuance of new shares	13,303	252,761	–	–	–	–	–	–	266,064	–	266,064
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	3,896	3,896
Loss for the period	–	–	–	–	–	–	–	(1,140)	(1,140)	–	(1,140)
At 30 June 2006	64,843	380,626	–	19,834	80,103	–	–	(112,872)	432,534	3,896	436,430
At 1 January 2007	64,843	380,626	–	19,844	80,103	(19,955)	7,201	(133,026)	399,636	3,896	403,532
Issuance of new shares	28,531	105,161	–	–	–	–	–	–	133,692	–	133,692
Exercise of share options	3,240	15,827	(3,840)	–	–	–	–	–	15,227	–	15,227
Exchange differences arising from translation of investment in a foreign subsidiary	–	–	–	–	–	–	(369)	–	(369)	–	(369)
Share-based payment expenses	–	–	13,688	–	–	–	–	–	13,688	–	13,688
Profit for the period	–	–	–	–	–	–	–	90,948	90,948	–	90,948
At 30 June 2007	96,614	501,614	9,848	19,844	80,103	(19,955)	6,832	(42,078)	652,822	3,896	656,718

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2007

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(17,269)	27,635
Net cash (used in)/generated from investing activities	(4,895)	10,725
Net cash generated from/(used in) financing activities	163,354	(40,578)
Net increase/(decrease) in cash and cash equivalents	141,190	(2,218)
Effect on foreign exchange rate	(369)	—
Cash and cash equivalents at beginning of period	63,140	137,973
Cash and cash equivalents at end of period	203,961	135,755
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	203,961	135,755

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2007

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Statements have been prepared on the historical cost basis except for investment properties and financial assets at fair value through profit or loss, which are measured at fair values, as appropriate.

2. Summary of Significant Accounting Policies

The accounting policies used in the Interim Financial Statements are consistent with those used in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 January 2007. The adoption of the new HKFRSs had no material effect on the results and the financial position of the Group for the current or prior accounting periods.

Standards or interpretations issued but not yet effective

The Group has not applied the new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK (IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions[2]
HK (IFRIC) — Int 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

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

3. Segment Information

(a) Business segments

Six months ended 30 June 2007

	Distribution	**Sub-licensing**	**Sales of financial assets**	**Property investment**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	—	—	27,575	1,616	29,191
Segment profit	—	—	3,230	1,496	4,726
Unallocated other revenue					123,900
Unallocated corporate expenses					(29,344)
Profit from operations					99,282
Finance costs					(8,334)
Profit before taxation					90,948
Taxation					—
Profit for the period					90,948

	Six months ended 30 June 2006				
	Distribution	**Sub-licensing**	**Sales of financial assets**	**Property investment**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	122	200	12,440	—	12,762
Segment (loss)/profit	(1,391)	(10)	3,320	—	1,919
Unallocated other revenue					2,590
Unallocated corporate expenses					(4,981)
Loss from operations					(472)
Finance costs					(668)
Loss before taxation					(1,140)
Taxation					—
Loss for the period					(1,140)

(b) ***Geographical segments — Turnover***

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong and Macau	27,575	12,762
The People's Republic of China (the "PRC")	1,616	—
	29,191	12,762

4. Other Revenue and Other Income

	Six months ended 30 June 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Other revenue		
Interest income on bank deposits	1,276	2,514
Dividend income from financial assets at fair value through profit or loss	30	576
Sundry income	1	—
	1,307	3,090
Other income		
Increase in fair value of financial assets at fair value through profit or loss	15,637	4,430
Loan interest waived	106,956	—
	122,593	4,430

5. Profit/(Loss) from Operations

	Six months ended 30 June 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Profit/(loss) from operations has been arrived at after charging:		
Cost of inventories sold	—	10
Depreciation of property, plant and equipment	708	351
Loss on disposal of property, plant and equipment	—	1,034
Provision for impairment of trade receivables	—	1,050
Provision for impairment of deposits, prepayments and other receivables	—	131
Staff costs including directors' emoluments:		
— Salaries and other allowances	4,299	3,205
— Contributions to retirement benefits scheme	60	62

6. Finance Costs

	Six months ended 30 June 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Interest expenses on borrowings wholly repayable within five years:		
— secured bank loan	8,334	568
— loan payable	—	100
	8,334	668

7. Taxation

No provision for Hong Kong Profits Tax has been made for the period since the Group has no estimated assessable profits (six months ended 30 June 2006: Nil).

No provision for the PRC Enterprise Income Tax was made as the Company's subsidiaries in the PRC did not have taxable income (six months ended 30 June 2006: Nil).

8. Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

9. Earnings/(Loss) Per Share

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity holders of the Company for the purposes of basic and diluted earnings/(loss) per share	90,948	(1,140)
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	754,792	522,053
Effect of dilutive potential ordinary shares: Share options	5,639	—
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	760,431	522,053

The weighted average number of shares for the six months ended 30 June 2006 for the purposes of basic and diluted loss per share has been adjusted to take into effect of the share consolidation that became effective on 21 May 2007. Details of the share consolidation are set out in note 14 to the Interim Financial Statements.

The computation of diluted loss per share for the six months ended 30 June 2006 did not assume the exercise of the Company's share options as the effect of the assumed exercise of the Company's outstanding share options would be anti-dilutive.

10. Property, Plant and Equipment

	HK$'000
Cost	
At 1 January 2007	5,873
Additions	7,917
At 30 June 2007	13,790
Accumulated depreciation	
At 1 January 2007	3,405
Charged for the period	708
At 30 June 2007	4,113
Net book value	
At 30 June 2007	9,677
At 31 December 2006	2,468

11. Investment Properties

	HK$'000
At 1 January 2007	678,000
Additions	23,079
At 30 June 2007	701,079

At 30 June 2007, the directors considered the carrying amounts of the Group's investment properties do not differ significantly from their fair values.

At 30 June 2007, all of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

12. Inventories

Inventories at 30 June 2007 solely comprised of certain apartments held by Beijing Jianguo Real Estate Development Company Limited ("BJ Jianguo"), a subsidiary of the Company, which were sold in previous years, of which sale and purchase agreements had been entered into and considerations had been received by BJ Jianguo. However, the transferrals of the legal titles of those apartments have not been completed as at the date of the Interim Financial Statements.

13. Trade Receivables

The granting of distribution rights and sub-licensing of film rights are covered by customers' deposits placed with the Group. The balances are receivable upon delivery of the master materials to customers.

The following is an aged analysis of trade receivables at the reporting date:

	At 30 June 2007 *HK$'000* (Unaudited)	**At 31 December 2006** *HK$'000* (Audited)
0 — 30 days	—	—
31 — 60 days	—	—
61 — 90 days	—	—
Over 90 days	1,786	1,986
	1,786	1,986
Less: Provision of bad and doubtful debts	(1,050)	(1,050)
	736	936

The Group allows an average credit period of 90 days to its customers. The directors considered that the carrying amounts of trade receivables approximate to their fair values.

14. Share Capital

	Number of shares *'000*	**Share capital** *HK$'000*
Ordinary shares of HK$0.10 each (2006: HK$0.01)		
Authorised:		
At 1 January 2007	20,000,000	200,000
Share consolidation *(note iii)*	(18,000,000)	—
At 30 June 2007	2,000,000	200,000
Issued and fully paid:		
At 1 January 2007	6,484,340	64,843
Issuance of new shares *(note i)*	1,296,860	12,969
Exercise of share options *(note ii)*	324,000	3,240
Share consolidation *(note iii)*	(7,294,680)	—
Issuance of new shares *(note iv)*	155,620	15,562
At 30 June 2007	966,140	96,614

Notes:

(i) On 30 March 2007, 1,296,860,000 new shares of HK$0.01 each were allotted and issued to Classical Statute Limited, a substantial shareholder of the Company, at a price of HK$0.04 per share pursuant to the placing and subscription agreements dated 19 March 2007. The net proceeds of approximately HK$50,500,000 were intended to be used for financing possible diversified investments of the Group and general working capital of the Group.

(ii) On 17 May 2007, the Company allotted and issued 324,000,000 new shares of HK$0.01 each pursuant to the exercise of share options granted to the Group's employees. The exercise price was HK$0.047 per share.

(iii) On 4 April 2007, the board of directors proposed that every ten issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company be consolidated into one issued and unissued ordinary share of HK$0.10 each in the share capital of the Company. The share consolidation became effective on 21 May 2007.

(iv) On 31 May 2007, the Company allotted and issued 155,620,000 new shares of HK$0.10 each to independent investors at a price of HK$0.55 per share. The net proceeds of approximately HK$83,300,000 were intended to be used for financing possible diversified investments of the Group and general working capital of the Group.

15. Receipts in Advance

At 30 June 2007, receipts in advance represented the full amounts of considerations received from sales of certain units of apartments as set out in note 12 to the Interim Financial Statements. Since the transfer of legal title on the ownership of these units have not yet been completed, no revenue could be recognised during the period under review.

16. Amounts Due to Related Companies

	At 30 June 2007 *HK$'000* (Unaudited)	At 31 December 2006 *HK$'000* (Audited)
China Star Entertainment Limited and its subsidiaries (the "China Star Group")	600	606

The amounts due to the China Star Group are unsecured, non-interest bearing and have no fixed terms of repayment.

17. Secured Bank Loan

The secured bank loan bears interest at rates ranging from 6.156% to 6.584% per annum and is secured by the Group's investment properties in the PRC with fair value of approximately HK$701,079,000 *(note 11)*.

18. Lease Commitments

As lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	At 30 June 2007	At 31 December 2006
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	1,207	1,332
In the second to fifth year inclusive	988	1,646
	2,195	2,978

Operating lease payments represented rentals payable by the Group for its office premises. Leases are mainly negotiated for an average term of two years and rentals are fixed for an average of two years.

As lessor

The Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of the Group's investment properties, which fall due as follows:

	At 30 June 2007	At 31 December 2006
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	—	2,700

At the balance sheet date, the Company did not have any lease commitments.

19. Commitments

At 30 June 2007, the Group had capital expenditures amounting to approximately HK$31,050,000 (31 December 2006: HK$63,739,000) in respect of renovation works of investment properties contracted for but not provided in the Interim Financial Statements.

On 11 May 2007, the Company and Legend Rich Limited, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Steve Leung Hotel Design and Management Limited for the purpose of setting up Best Season Holdings Corp. ("JV Co"), which is held as to 75% by Legend Rich Limited and as to 25% by Steve Leung Hotel Design and Management Limited. Rich Joy Investment Limited, a wholly-owned subsidiary of the Company, has agreed to grant JV Co. the revolving facility of up to HK$200,000,000. An interest of 6.5% per annum of the facility is payable together with the principal and not exceeding 3 years commencing on the drawn down date. As at the date of the Interim Financial Statements, JV Co has not drawn down the facility.

20. Material Related Party Transactions

(a) During the period, the Group had the following transactions with the China Star Group:

		Six months ended 30 June	
Name of company	**Nature of transaction**	**2007**	**2006**
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Paid or payable to:			
1. China Star Entertainment Limited	Salaries	(600)	—
2. China Star Entertainment Limited	Interest expense	—	(100)
3. China Star Production Services Limited	Post-production services expense	—	(85)
Received or receivable from;			
4. China Star HK Distribution Limited	Sub-licensing income	—	200

(b) ***Compensation for key management personnel***

Remuneration for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries	1,760	1,656
Contribution to retirement benefits scheme	12	12

Save as aforesaid and disclosed elsewhere in the Interim Financial Statements, there was no other material related party transactions during the period under review.

21. Subsequent Events

(i) On 11 July 2007, the Company allotted and issued 162,100,000 new shares of HK$0.10 each at a price of HK$0.50 per share by way of placing of new shares under general mandate. The net proceeds of HK$78,900,000 are intended to be used for expansion of the Group's property investment business. Details of this transaction was set out in the Company's announcement dated 25 June 2007.

(ii) On 19 July 2007, a conditional sale and purchase agreement was entered into between the Company, Legend Rich Limited, a wholly-owned subsidiary of the Company, and Ms. Chen Ming Yin, Tiffany, an executive director of the Company, in relation to the acquisition of a 100% interest in Modern Vision (Asia) Limited by Legend Rich Limited at a consideration of HK$684,000,000 (subject to adjustment). The major asset of Modern Vision (Asia) Limited is its indirect 50% interest in a lot of land with the area of 4,669 square meters, named "Lote C7 do Plano de Urbanização da Baía da Praia Grande", located in the Nam Van Lakes Zone, at Avenida Doutor Stanley Ho, registered with the Macau Land and Real Estate Registry under no. 23070. The consideration will be satisfied in cash by the Company. Details of this transaction was set out in the Company's announcement dated 23 July 2007.

(iii) On 1 August 2007, a conditional sale and purchase agreement was entered into between the Company, Legend Rich Limited and China Star Entertainment Limited, a substantial shareholder of the Company, in relation to the acquisition of a 100% interest in Exceptional Gain Profits Limited and a sale loan by Legend Rich Limited at a consideration of HK$447,000,000. Exceptional Gain Profits Limited is an investment holding vehicle which indirectly holds a 50% interest in Kingsway Hotel. The consideration will be satisfied by the issue of a convertible note by the Company. Details of this transaction was set out in Company's announcement dated 8 August 2007.

(iv) On 7 August 2007, the Company allotted and issued 173,000,000 new shares of HK$0.10 each at a price of HK$0.83 per share by way of top-up placing. The net proceeds of HK$139,800,000 are intended to be used for expansion of the Group's property investment business. Details of this transaction was set out in the Company's announcement dated 25 July 2007.

22. Contingencies and Litigations

At 30 June 2007, save as disclosed below, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the directors to be pending or threatened against any member of the Group.

(i) The Commissioner of Inland Revenue issued proceedings on 30 March 2006 against Ocean Shores Licensing Limited ("OSLL"), a wholly-owned subsidiary of the Company, in respect of an aggregate amount of outstanding taxation of HK$13,928,226 for the estimated assessments for the years of assessments from 1998/1999 to 2000/2001. Provision for this amount has been made in the Company's audited financial statements for the year ended 31 December 2006. OSLL has formally objected to the estimated assessments and paid the outstanding tax by monthly cash instalments. On 23 January 2007, the Inland Revenue Department issued a letter to OSLL requesting for more information on the offshore income claim made by OSLL. The tax representatives of OSLL are preparing a reply to the Inland Revenue Department;

(ii) A writ of summons and statement of claim was made by CL3 Architects Limited against BJ Jianguo in February 2006 for a claim of approximately HK$2,500,000 over design contracts for the investment properties with BJ Jianguo. A verdict was issued by the PRC court that BJ Jianguo was liable to pay HK$2,500,000 to CL3 Architects Limited. BJ Jianguo is seeking further legal advice in relation to the judgement. In the opinion of the directors, the outcome of this case is yet to be certain and considered no provision should be made; and

(iii) A writ of summons and statement of claim was made by ICBC against BJ Jianguo for a claim of approximately RMB1,197,000 (or approximately HK$1,197,000) over the non-repayment of a mortgage loan granted to a owner (the "Borrower") of an apartment unit in the Group's investment properties. The Borrower purchased the apartment unit from BJ Jianguo in 2001 and the legal title of the apartment unit has not yet been transferred from BJ Jianguo to the Borrower. On 15 December 2006, the PRC court made a verdict that BJ Jianguo was liable to pay RMB1,197,000 if the Borrower failed to pay RMB1,197,000 to ICBC. BJ Jianguo has appealed to the PRC court. Up to the date of this report, the PRC court is processing the appeal. In the opinion of the directors, no provision for this liability should be made as the sale proceed of the apartment unit has been fully received by BJ Jianguo and the legal title of the apartment unit remains with BJ Jianguo.

23. Approval of Interim Financial Statements

The Interim Financial Statements were approved by the Board on 24 September 2007.

INDEBTEDNESS OF THE ENLARGED GROUP

Statement of Indebtedness

As at the close of business of 31 August 2007, being the latest practicable date for the purpose of the statement of indebtedness, the Enlarged Group had outstanding borrowings, contingencies and commitments of approximately HK$406,365,000, HK$2,500,000 and HK$235,309,000 respectively, details of which are as follows:

Borrowings

As at 31 August 2007, the Enlarged Group had an amount due to a director of approximately HK$51,590,000 and secured bank borrowings of approximately HK$354,775,000 which were secured by the Enlarged Group's investment properties and the Property.

Contingencies

As at 31 August 2007, the Enlarged Group has the following litigations:

i. The Commissioner of Inland Revenue had issued proceedings on 30 March 2005 against Ocean Shores Licensing Limited ("OSLL"), a wholly-owned subsidiary of the Company, in respect of an aggregate amount of outstanding taxation of HK$13,928,226 for the estimated assessments for the years of assessments from 1998/1999 to 2000/2001. Provision for this amount has been made in the Group's audited financial statements for the year ended 31 December 2006. OSLL has formally objected to the estimated assessments and paid the outstanding tax by monthly cash installments. On 23 January 2007, the Inland Revenue Department issued a letter to OSLL requesting for more information on the offshore income claim made by OSLL. The tax representatives of OSLL are preparing a reply to the Inland Revenue Department.

ii. A writ of summons and statement of claim was made by CL3 Architects Limited against 北京建國房地產開發有限公司 ("Beijing Jianguo"), a 96.7% owned subsidiary of the Company, in February 2006 for a claim of approximately HK$2,500,000 over design contracts for the investment properties with Beijing Jianguo. A verdict was issued by the PRC court that Beijing Jianguo was liable to pay HK$2,500,000 to CL3 Architects Limited. Beijing Jianguo has appealed to Beijing City Supreme People's Court. Up to the Latest Practicable Date, Bejing City Supreme People's Court is processing the appeal.

Commitments

i. As at 31 August 2007, the Enlarged Group had outstanding commitments under non-cancellable operating leases in the amount of approximately HK$2,085,000.

ii. As at 31 August 2007, the Enlarged Group had commitments in respect of renovation contracts in the amount of approximately HK$33,224,000 which were not provided for in the consolidated financial statements.

iii. As at 31 August 2007, the Enlarged Group has a commitment in respect of the unused revolving facility of up to HK$200,000,000 granted to Best Season Holdings Corp., a 75% owned subsidiary of the Company.

iv. Pursuant to the undertaking letters issued by the owners of 上海昇平文化發展有限公司 ("Shanghai Shengping") during the year ended 31 December 2003, they will transfer their ownership in Shanghai Shengping to the Enlarged Group at price determined by the valuers in the PRC when the laws in the PRC allow foreign investors own more than 51% in Shanghai Shengping.

Disclaimer

Save as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, capital commitments, guarantees or other material contingent liabilities as at the close of business on 31 August 2007.

WORKING CAPITAL

As at the Latest Practicable Date, after taking into account of the available credit facilities and the internal resources of the Enlarged Group, the Directors were of the opinion that the Enlarged Group had sufficient working capital for the 12-month period from the date of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date to which the latest audited financial statements of the Group were made up.

The following is the text of a letter, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, prepared for the sole purpose of inclusion in this circular.

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

5 November 2007

The Directors
Riche Multi-Media Holdings Limited
Room 3408, 34th Floor
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Riche Multi-Media Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), Modern Vision (Asia) Limited ("Modern Vision"), Over Profit International Limited ("Over Profit") and Summer Sound Investments Limited and its subsidiaries (the "Summer Sound Group") (together with the Group hereinafter referred to as the "Enlarged Group") set out on pages 190 to 197 under the headings of "Introduction to the Unaudited Pro Forma Financial Information on the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix VIII of the Company's circular dated 5 November 2007 (the "Circular") in connection with the proposed acquisition of a 100% equity interest in Modern Vision (the "Acquisition"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition, which will result in the formation of the Enlarged Group, might have affected the relevant financial information presented for inclusion in Appendix VIII of the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and

Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Enlarged Group as at 30 June 2007 or any future date, or

— the results and cash flows of the Enlarged Group for the year ended 31 December 2006 or any future periods.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The following is the unaudited pro forma consolidated balance sheet, income statement and cash flow statement of the Enlarged Group as if the Acquisition completed on 30 June 2007 for the unaudited pro forma consolidated balance sheet and on 1 January 2006 for the unaudited pro forma consolidated income statement and cash flow statement. The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of a 100% equity interest in Modern Vision and at an aggregate consideration of approximately HK$684,000,000 (the ‘‘Consideration”) which shall be satisfied by cash from internal resources of the Group and third party financing (which has not yet been determined).

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is based on certain assumption, estimates, uncertainties and other currently available financial information, and is provided for illustrative purposes only because of its hypothetical nature, it may not give a true picture of the actual financial position and financial results of the Enlarged Group's operations that would have been attained had the Acquisition actually occurred on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position or results of operations.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunctions with the Accountants' Report of Modern Vision as set out in Appendix II, the Accountants' Report of Over Profit as set out in Appendix III, the Accountants' Report of Summer Sound Group as set out in Appendix IV and the historical financial information on the Group as set out in Appendix VI and other financial information included elsewhere in this Circular.

On 8 August 2007, the Company announced the proposed acquisition of a 100% interest in the issued share capital of Exceptional Gain Profits Limited (“Exceptional Gain”) and a sale loan. Exceptional Gain is an investment holding vehicle which indirectly holds a 50% interest in Kingsway Hotel Limited. The major asset of Kingsway Hotel Limited is the Kingsway Hotel, which is a three-star hotel in Macau. The proposed acquisition of Exceptional Gain was independent to the Acquisition. Details of the proposed acquisition of Exceptional Gain were set out in the Company's announcement dated 8 August 2007.

(I) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group, assuming that the Acquisition has been completed on 30 June 2007. The unaudited pro forma consolidated balance sheet is based on the unaudited condensed consolidated interim financial statements of the Group for the period ended 30 June 2007 as set out in Appendix VI to this Circular, the audited financial statements of Modern Vision for the period from 25 May 2007 (date of incorporation) to 31 May 2007 as set out in Appendix II to this Circular, the audited financial statements of Over Profit for the period from 20 April 2007 (date of incorporation) to 31 May 2007 as set out in Appendix III to this Circular and the audited consolidated financial statements of Summer Sound Group for the five months ended 31 May 2007 as set out in Appendix IV to this Circular. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	The Group as at 30 June 2007	Modern Vision as at 31 May 2007	Over Profit as at 31 May 2007	Summer Sound Group as at 31 May 2007	Sub-total	Pro forma adjustment Note 1	Pro forma adjustment Note 2	Pro forma adjustment Note 3	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets									
Property, plant and equipment	9,677	–	–	–	9,677				9,677
Property under development	–	–	–	511,738	511,738	868,262			1,380,000
Investment properties	701,079	–	–	–	701,079				701,079
Goodwill	77,284	–	–	–	77,284		119,970		197,254
Available-for sale financial assets	172	–	–	–	172				172
	788,212	–	–	511,738	1,299,950				2,288,182
Current assets									
Amounts due from shareholders	–	–	–	1,368,000	1,368,000		(1,368,000)		–
Inventories	45,154	–	–	–	45,154				45,154
Trade receivables	736	–	–	–	736				736
Deposits, prepayments and other receivables	14,746	1	1	36	14,784		(2)		14,782
Financial assets at fair value through profit or loss	19,392	–	–	–	19,392				19,392
Tax prepayment	9,720	–	–	–	9,720				9,720
Cash and cash equivalents	203,961	–	–	32,716	236,677		(684,000)	218,700	(228,623)
	293,709	1	1	1,400,752	1,694,463				(138,839)
Total assets	1,081,921	1	1	1,912,490	2,994,413				2,149,343

	The Group as at 30 June 2007	Modern Vision as at 31 May 2007	Over Profit as at 31 May 2007	Summer Sound Group as at 31 May 2007	Sub-total	Pro forma adjustment Note 1	Pro forma adjustment Note 2	Pro forma adjustment Note 3	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves attributable to the Company's equity holders									
Share capital	96,614	1	1	1,368,000	1,464,616		(1,368,002)	3,351	99,965
Reserves	556,208	–	–	259,793	816,001	868,262	(1,128,057)	215,349	771,555
	652,822	1	1	1,627,793	2,280,617				871,520
Minority interests	3,896	–	–	–	3,896		564,027		567,923
Total equity	656,718	1	1	1,627,793	2,284,513				1,439,443
Non-current liabilities									
Secured bank loans due after one year	254,400	–	–	–	254,400				254,400
Deferred taxation	56,317	–	–	–	56,317				56,317
	310,717	–	–	–	310,717				310,717
Current liabilities									
Trade payables, accruals and other payables	15,079	–	–	158,149	173,228				173,228
Receipts in advance	60,838	–	–	–	60,838				60,838
Amounts due to related companies	600	–	–	–	600				600
Amount due to a director	–	–	–	51,548	51,548				51,548
Secured bank loans due within one year	15,000	–	–	75,000	90,000				90,000
Tax payable	22,969	–	–	–	22,969				22,969
	114,486	–	–	284,697	399,183				399,183
Total equity and liabilities	1,081,921	1	1	1,912,490	2,994,413				2,149,343
Net current assets/(liabilities)	179,223	1	1	1,116,055	1,295,280				(538,022)
Total assets less current liabilities	967,435	1	1	1,627,793	2,595,230				1,750,160

(II) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT FOR THE ENLARGED GROUP

The following is the unaudited pro forma consolidated income statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 January 2006. The unaudited consolidated income statement is based on the audited financial statements of the Group for the year ended 31 December 2006 as set out in Appendix VI to this Circular, the audited financial statements of Modern Vision for the period ended 31 May 2007 as set out in Appendix II to this Circular, the audited financial statements of Over Profit for the period ended 31 May 2007 as set out in Appendix III to this Circular and the audited financial statements of Summer Sound Group for the period ended 31 December 2006 as set out in Appendix IV to this Circular. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated income statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group after completion of the Acquisition for the year ended to which it is made up to or for any future period.

	The Group for the year ended 31 December 2006	Modern Vision for the period ended 31 May 2007	Over Profit for the period ended 31 May 2007	Summer Sound Group for the period ended 31 December 2006	Sub-total	Pro forma adjustment Note 1	Pro forma adjustment Note 2	Pro forma adjustment Note 3	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	17,476	–	–	–	17,476				17,476
Cost of sales	(13,998)	–	–	–	(13,998)				(13,998)
Gross profit	3,478	–	–	–	3,478				3,478
Discount on acquisition	–	–	–	258,460	258,460				258,460
Other revenue	5,699	–	–	922	6,621				6,621
Other income	5,560	–	–	–	5,560				5,560
Fair value changes on investment properties	590	–	–	–	590				590
Administrative expenses	(26,811)	–	–	(31)	(26,842)				(26,842)
(Loss)/profit from operation	(11,484)	–	–	259,351	247,867				247,867
Finance costs	(9,615)	–	–	–	(9,615)				(9,615)
(Loss)/profit before tax	(21,099)	–	–	259,351	238,252				238,252
Taxation	(195)	–	–	–	(195)				(195)
(Loss)/profit for the year	(21,294)	–	–	259,351	238,057				238,057
Attributable to:									
Equity holders of the Company	(21,294)	–	–	129,676	108,382				108,382
Minority interests	–	–	–	129,675	129,675				129,675
	(21,294)	–	–	259,351	238,057				238,057

(III) UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT FOR THE ENLARGED GROUP

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 January 2006. The unaudited consolidated cash flow statement is based on the audited financial statements of the Group for the year ended 31 December 2006 as set out in Appendix VI to this Circular, the audited financial statements of Modern Vision for the period ended 31 May 2007 as set out in Appendix II to this Circular, the audited financial statements of Over Profit for the period ended 31 May 2007 as set out in Appendix III to this Circular and the audited financial statements of Summer Sound Group for the period ended 31 December 2006 as set out in Appendix IV to this Circular. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flow of the Enlarged Group after completion of the Acquisition for the year ended to which it is made up to or for any future period.

	The Group for the year ended 31 December 2006 *HK$'000*	Modern Vision for the period ended 31 May 2007 *HK$'000*	Over Profit for the period ended 31 May 2007 *HK$'000*	Summer Sound Group for the period ended 31 December 2006 *HK$'000*	Sub-total *HK$'000*	Pro forma adjustment Note 1 *HK$'000*	Pro forma adjustment Note 2 *HK$'000*	Pro forma adjustment Note 3 *HK$'000*	The Enlarged Group Total *HK$'000*
Operating activities									
(Loss)/profit before tax	(21,099)	–	–	259,351	238,252				238,252
Discount on acquisition of subsidiaries	–	–	–	(258,460)	(258,460)				(258,460)
Interest income	(4,314)	–	–	(922)	(5,236)				(5,236)
Dividend income	(754)	–	–	–	(754)				(754)
Fair value changes on financial assets at fair value through profit or loss	(5,360)	–	–	–	(5,360)				(5,360)
Fair value changes on investment properties	(590)	–	–	–	(590)				(590)
Finance costs	9,615	–	–	–	9,615				9,615
Depreciation of property, plant and equipment	652	–	–	–	652				652
Impairment loss reconginsed in respect of trade receivables	1,050	–	–	–	1,050				1,050
Impairment loss recognised in respect of prepayments	131	–	–	–	131				131
Loss on disposal of property, plant and equipment	1,956	–	–	–	1,956				1,956
Reversal of overprovision of accruals in previous year	(200)	–	–	–	(200)				(200)
Operating cash flows before movements in working capital	(18,913)	–	–	(31)	(18,944)				(18,944)
Increase in inventories	(1,309)	–	–	–	(1,309)				(1,309)
Decrease in film rights deposits	14	–	–	–	14				14
Decrease in trade receivables	2,755	–	–	–	2,755				2,755
Decrease/(increase) in deposits, prepayments and other receivables	34,988	(1)	(1)	(36)	34,950		2		34,952
Increase in amounts due from shareholders	–	–	–	(1,368,000)	(1,368,000)		1,368,000		–
Decrease in trade payables	(1,714)	–	–	–	(1,714)				(1,714)
(Decrease)/increase in accruals and other payables	(41,337)	–	–	152,796	111,459				111,459
Increase in receipts in advance	1,335	–	–	–	1,335				1,335
Increase in amount due to a director	–	–	–	30,061	30,061				30,061
Decrease in amounts due to related companies	(34,226)	–	–	–	(34,226)				(34,226)
Cash (used in)/generated from operation	(58,407)	(1)	(1)	(1,185,210)	(1,243,619)				124,383
Tax paid	(3,303)	–	–	–	(3,303)				(3,303)

	The Group for the year ended 31 December 2006 HK$'000	Modern Vision for the period ended 31 May 2007 HK$'000	Over Profit for the period ended 31 May 2007 HK$'000	Summer Sound Group for the period ended 31 December 2006 HK$'000	Sub-total HK$'000	Pro forma adjustment Note 1 HK$'000	Pro forma adjustment Note 2 HK$'000	Pro forma adjustment Note 3 HK$'000	The Enlarged Group Total HK$'000
Net cash (used in)/generated from operating activities	(61,710)	(1)	(1)	(1,185,210)	(1,246,922)				121,080
Investing activities									
Bank interest received	4,314	–	–	922	5,236				5,236
Dividend income received	754	–	–	–	754				754
Construction cost invested in property under development	–	–	–	(149,555)	(149,555)				(149,555)
Proceeds from disposal of financial assets at fair value through profit or loss	13,461	–	–	–	13,461				13,461
Net cash effect on acquisition of subsidiaries	415	–	–	223	638				638
Acquisition of subsidiaries	–	–	–	–	–		(684,000)		(684,000)
Additions to investment properties	(15,852)	–	–	–	(15,852)				(15,852)
Purchase of financial assets at fair value through profit or loss	(5,634)	–	–	–	(5,634)				(5,634)
Purchase of property, plant and equipment	(1,156)	–	–	–	(1,156)				(1,156)
Net cash used in investing activities	(3,698)	–	–	(148,410)	(152,108)				(836,108)
Financing activities									
Proceeds from issue of shares	–	–	–	–	–			352,500	352,500
Issue of shares upon incorporation	–	1	1	1,368,000	1,368,002		(1,368,002)		–
Interest paid	(9,615)	–	–	–	(9,615)				(9,615)
Repayment of secured bank loans	(250,000)	–	–	–	(250,000)				(250,000)
New secured bank loan raised	250,470	–	–	–	250,470				250,470
Net cash (used in)/ generated from financing activities	(9,145)	1	1	1,368,000	1,358,857				343,355
Net (decrease)/increase in cash and cash equivalents	(74,553)	–	–	34,380	(40,173)		(684,000)	352,500	(371,673)
Effect on foreign exchange rate	(280)	–	–	–	(280)				(280)
Cash and cash equivalents at the beginning of the year/period	137,973	–	–	–	137,973				137,973
Cash and cash equivalents at end of the year/period	63,140	–	–	34,380	97,520		(684,000)	352,500	(233,980)
Analysis of the balances of cash and cash equivalents									
Cash and bank balances	63,140	–	–	34,380	97,520		(684,000)	352,500	(233,980)

NOTES ON THE PRO FORMA ADJUSTMENT TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

1. Upon the completion of the Acquisition, Legstrong was accounted as a subsidiary of the Company, the property under development was transferred to the Group. Upon Acquisition, the Group will adjust the property under development to its fair value by reference to a valuation performed by an independent valuer, DTZ Debenham Tie Leung Limited. The fair value adjustment amounted to approximately HK$868,262,000.

2. Under HKFRS 3 Business Combinations ("HKFRS 3"), the Group will apply the purchase method to account for the acquisition of Modern Vision, Over Profit and Summer Sound Group. Modern Vision, Over Profit and Summer Sound Group will be treated as subsidiaries of the Company due to the board control. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Modern Vision, Over Profit and Summer Sound Group will be recorded on the consolidated balance sheet of the Group at their fair values at the date of completion. Any goodwill or discount arising on the acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Group over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Modern Vision, Over Profit and Summer Sound Group at the date of completion. Negative goodwill resulting from the business combinations should be recognised immediately in the consolidated income statement.

   The adjustment reflects the following:

   (i) Goodwill of approximately HK$119,970,000 arising from the Acquisition of Modern Vision, Over Profit and Summer Sound Group, which is derived from the calculation as follow:

	HK$'000
Fair value of net assets of Modern Vision	1
Fair value of net assets of Over Profit	1
Fair value of net assets of the Summer Sound Group	259,793
Fair value adjustment on property under development	868,262
	1,128,057
Less: Minority interests	(564,027)
	564,030
Goodwill	119,970
Total consideration	684,000
Cash consideration	684,000

   Fair value adjustment of property under development of approximately HK$868,262,000 represented fair value changes of the property under development shared by the equity holders of the Enlarged Group upon the Acquisition.

   All identifiable assets, liabilities and considerations are assumed to be at their fair values.

(ii) The pro forma adjustment of cash and cash equivalents or approximately HK$684,000,000 represented the settlement of the consideration of the Acquisition.

(iii) Upon completion of Acquisition, amounts due from shareholders of Summer Sound Group of approximately HK$1,368,000,000, other receivables of Over Profit of approximately HK$780 and other receivables of Modern Vision of approximately HK$8 would become intra-group balances of the Enlarged Group, and should then be eliminated on consolidation.

(iv) Upon completion of Acquisition, Modern Vision, Over Profit and Summer Sound Group would become the subsidiaries of the Enlarged Group. Therefore, the share capital of Modern Vision, Over Profit and Summer Sound Group of approximately HK$8, HK$780 and HK$1,368,000,000 respectively, would be eliminated on consolidation.

(v) The pro forma adjustment of reserves of approximately HK$1,128,057,000 represented the elimination of the pre-acquisition reserves of Summer Sound Group of approximately HK$259,793,000 and the fair value adjustment of the property under development of approximately HK$868,262,000 on consolidation.

(vi) The pro forma adjustment of minority interests of approximately HK$564,027,000 represented the 50% pre-acquisition reserves of Over Profit and Summer Sound Group attributable to the minority shareholders of approximately HK$390 and HK$129,896,000, plus the 50% share of the fair value adjustment of the property under development of approximately HK$434,131,000.

3. (i) On 19 March 2007, the Company was entered into a placing agreement and top-up Subscription agreement agreed to place, through the placing agent, an aggregate of 1,296,860,000 existing shares to not fewer than six placees at a price of HK$0.04 per Placing Share. Pursuant to the top-up subscription agreement, the Company conditionally agreed to subscribe for an aggregate of 1,296,860,000 top-up subscription shares at price of HK$0.04 per top-up subscription share. The net proceeds received from the placing was approximately HK$50,500,000.

(ii) On 10 April 2007, the Company entered into the placing agreement with an independent third party to place an aggregate of 155,620,000 shares at the placing price of HK$0.55 per share. The placing generated net proceeds of approximately HK$83,300,000. The net proceeds was fully utilised on the deposit payment on the proposed acquisition of 100% equity interest in Modern Vision.

(iii) On 25 June 2007, the Company and the placing agent entered into the placing agreement with independent third parties which conditionally agreed to place 162,100,000 placing shares at a price of HK$0.5 per share. The placing generated net proceeds of approximately HK$78,900,000. The net proceeds was fully utilised on the deposit payment on the proposed acquisition of 100% equity interest in Modern Vision.

(iv) On 24 July 2007, the placing agent and the Company entered into the top-up placing agreement. Pursuant to the top-up placing agreement, the Company agreed to place, through the placing agent, an aggregate of 173,000,000 existing shares to not fewer than six placees at a price of HK$0.83 per placing share. The Company conditionally agreed to subscribe for an aggregate of 173,000,000 top-up subscription shares at a price of HK$0.83 per top-up subscription share. The net proceeds received from the top-up placing was approximately HK$139,800,000.

4. After making the above pro forma adjustments, the pro forma consolidated balance sheet showed a shortfall of cash and cash equivalents of HK$228,623,000. The shortfall will be settled by financing from the proposed open offer as announced by the Company on 18 October 2007 and the internal resources of the Group such as proceeds from sales of properties to ensure that the Group has sufficient working capital to proceed the Acquisition.

Set out below is the letter and valuation certificate received from DTZ Debenham Tie Leung Limited, an independent property valuer, prepared for the purpose of incorporation in this circular in connection with the valuation on the Property as at 31 August 2007.

DTZ 戴德梁行

10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

5 November 2007

The Directors
Riche Multi-Media Holdings Limited
Unit 3408, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

Dear Sirs,

Re: Lote C7 do Plano de Urbanizacao da Baia da Praia Grande, located in the Nam Van Lakes Zone, Macau. ("the Property")

We refer to your instructions for us to carry out a market valuation of the Property the interest in which is to be acquired by Riche Multi-Media Holdings Limited and/or its subsidiaries (together "the Group"). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 August 2007 (the "date of valuation").

Our valuation of the Property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

We have valued the Property by direct comparison approach by making reference to comparable sales transactions as available in the relevant market. We have valued the Property on the basis that it will be developed in accordance with the Group's proposal provided to us. It is assumed that all necessary consents and approvals for the development will be granted without any material conditions or delay which might affect value.

In the course of our valuation, we have assumed that the grantee of the Property has free and uninterrupted rights to use or to assign the Property for the whole of the unexpired term and that any premium payable has already been fully settled.

In valuing the Property, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (First Edition 2005) on Properties of The Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of property, proposed development scheme, floor plans, site and floor areas and all other relevant matters. Dimension, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. No on-site measurement has been carried out.

We have not been provided with copies of the title documents relating to the Property but have caused searches to be made at the Land Registry in Macau. However, we have not searched the original documents to verify ownership or to ascertain any amendments. We have also relied to a very considerable extent on the information given by the Group and its Macau legal advisor, Manuela Antonio, regarding the title of the Property. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

We have inspected the Property. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services for future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction.

Unless otherwise stated, all sums stated in our valuation are in Hong Kong dollars. The exchange rate adopted in our valuation for the Property is approximately HK$1=MOP1.03 which was the approximate exchange rate prevailing as at the date of valuation.

We enclose herewith our valuation certificate for your attention.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
Registered Professional Surveyor
(General Practice Division)
M.R.I.C.S., M.H.K.I.S.
Director

Note: Mr. K. B. Wong is a Registered Professional Surveyor who has over 23 years of experience in valuation of properties in Hong Kong and Macau.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2007
Lote C7 do Plano de Urbanizacao da Baia da Praia Grande, located in the Nam Van Lakes Zone, Macau.	The Property comprises a site with a registered site area of 4,669 sq.m. (50,257 sq.ft.) situated in the western part of Macau Peninsula. The site is planned to be developed into two blocks of 32-storey residential buildings erected over a multi-storey commercial/car parking podium. In accordance with the information provided by the Group, the floor areas of the proposed development are approximately as follows:	The property was vacant.	HK$1,380,000,000

	Approximate Floor Area sq.m.	sq.ft
Residential	59,242.00	637,681
Commercial	1,694.20	18,236
Private Car Parking	12,877.60	138,614
Public Car Parking	9,954.00	107,145
Total	83,767.80	901,676

The Property is held under a Macau Government lease for the residue of a term of 25 years from 22 August 2001. In undertaking our valuation, we have assumed that the lease term will be successively renewed for terms of 10 years until 19 December 2049, in accordance with the relevant legislation and lease conditions. The Government rent of the Property is MOP140,040 per annum. After issuance of occupation permit, the Government rents will be computed as follows:

Residential/ car parking spaces/ free areas	:	MOP10 per sq.m. of gross floor area per annum
Commercial	:	MOP15 per sq.m. of gross floor area per annum

Notes:

(1) The Property is granted by the Government of Macau Special Administrative Region ("the Grantor") to Compania de Construcao e Investimento Predial Legstrong, Limitada ("the Grantee").

(2) The Property is subject to a Mortgage in favour of Banco Comercial de Macau, SA.

(3) Pursuant to Official Gazette No. 34 dated 22 August 2001 ("the Land Grant"), the property is subject to the following terms and conditions:

(i)	Uses	:	A multi-storey residential/commercial development with parking provisions.
(ii)	Gross Floor Area	:	Residential : 25,832 sq.m. Commercial : 215 sq.m. Car Parking : 3,930 sq.m.
(iii)	Building Covenant	:	60 months from 22 August 2001

However, the Grantee has submitted to the Government an application to modify the above terms and conditions. On 27 September 2006, the Government sent to the Grantee a draft of a contract of amendment to the Land Grant and the amended terms and conditions are as follows:

(i)	Uses	:	Two blocks of 32-storey residential towers erected upon a 7-storey (including podium level and 2 basements) common podium.
(ii)	Gross Floor Area	:	Residential : 59,160 sq.m. Commercial : 1,700 sq.m. Private Car Parking : 12,966 sq.m. Public Car Parking : 9,821 sq.m. Free area with equipments : 428 sq.m. Free area without equipments : 2,308 sq.m.
(iii)	Building Covenant	:	36 months commencing from the date when the contract of amendment to the Land Grant is gazetted.

On 2 October 2006 the Grantee has sent a reply to the Macau Government accepting the draft contract of amendment to the Land Grant. The amendment to the Land Grant will be completed upon publication of the Gazette of the contract of amendment to the Land Grant.

(4) In undertaking our valuation, we have based on the abovesaid development proposal and assumed that all necessary land premium and other site acquisition costs have been fully settled. We have also assumed that all units in the Property when completed can be freely disposed of in the market to any third parties.

Set out below is the letter and valuation certificate received from DTZ Debenham Tie Leung Limited, and independent property valuer prepared for the purpose of incorporation in this circular in connection with the valuation on the Property as at 31 August 2007.

DTZ 戴德梁行

10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

5 November 2007

The Directors
Riche Multi-Media Holdings Limited
Unit 3408, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the properties held by Riche Multi-Media Holdings Limited (the "Company") and its subsidiaries (together the "Group") in Hong Kong and the People's Republic of China ("the PRC") as listed in the attached summary of valuations, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the market values of such properties as at 31 August 2007 (the "date of valuation").

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the property in the PRC, we have assumed that transferable land use rights in respect of the property for its specific term at nominal annual land use fees have been granted and that any land premium payable has already been fully settled. We have relied on the advice given by the Company and the opinion of its PRC legal adviser, Beijing Sino-Promise Law Firm, regarding the title of the property.

In valuing the property, we have assumed that the grantees or users of the property have proper enforceable title to the property and have free and uninterrupted rights to use or to assign or lease the property for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

In valuing Property No. 1 in Group I, which is held and occupied by the Group in the PRC, we have valued it by Direct Comparison Approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sale evidences as available in the relevant market. We have also taken into account the estimated renovation costs that will be expended to complete the renovation to reflect the quality of the renovated property.

Regarding Property No. 2 in Group II, which is leased by the Group in Hong Kong, we consider that it has no commercial value due to prohibition of sub-leasing or lack of substantial profit rent.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (First Edition 2005) on Properties of The Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and the opinion of legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion date, identification of properties, particulars of occupancy, tenancy details, renovation costs, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise your Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

We have been provided with copies of title documents in respect of the property in the PRC but we have not been able to conduct searches to verify the ownership of the properties or to ascertain the existence of any amendment which may not appear on the copies handed to us.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey had been made and no tests had been carried out on any of the services. In the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Unless otherwise stated all money amounts stated are in Renminbi (RMB), the official currency of PRC.

We enclose herewith a summary of our valuation and valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S
Senior Associate Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 15 years of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Property		Capital value in existing state as at 31 August 2007 *RMB*
Group I — Property held for investment purpose in the PRC		
1. The Unsold Portion of Jianguo Apartment, No. 9 Gong Yuan Xi Jie, Dongcheng District, Beijing, the PRC		754,000,000
	Sub-total:	**754,000,000**
Group II — Property leased by the Group in Hong Kong		
2. Unit 3407-3408, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong		No commercial value
	Grand Total:	**754,000,000**

VALUATION CERTIFICATE

Group I — Property held for investment purpose in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2007 *RMB*
1.	The Unsold Portion of Jianguo Apartment, No. 9 Gong Yuan Xi Jie Dongcheng District Beijing the PRC	Jianguo Apartment is erected on a site with a site area of 5,679.75 sq.m. (61,137 sq.ft.). It consists of two buildings, the main building and the ancillary building with a total gross floor area of approximately 46,809.97 sq.m. (503,863 sq.ft.) completed in 2000. The main building is a 19-storey plus 3 levels of basement. Level 1 and 2 are for ancillary commercial use, Level 3 to 19 are designed for apartment use and the basement is for car parking and refuge uses. The ancillary building is a 5-storey plus 1 level of basement composite building mainly devoted as a residents' clubhouse. The property, our scope of valuation, comprises the unsold portion of the development with a total gross floor area of 41,300.45 sq.m. (444,558 sq.ft.). (including apartment and retail portions with gross floor area of 34,414.05 sq.m. (370,433 sq.ft.) and basement car park portion with gross floor area of 6,886.38 sq.m. (74,125 sq.ft.)) The land use right of the property has been granted for a term due to expire on 20 May 2067 for apartment use.	According to our inspection, the property is being renovated and is scheduled for completion in late 2007. We have valued the property according to the proposed finishing standard provided to us.	754,000,000

Notes:

(1) According to the development scheme provided by the Company, the floor area breakdown for different usage and each respective floor of unsold portion in Jianguo Apartment is provided as follows:

GFA of Unsold Part:	Main Building Retail portion	:	F1-F2: 3,822.61 sq.m.
	Apartment portion:	:	F3-F19: 28,273.05 sq.m.
	Car parking portion	:	B1-B3: 6,279.82 sq.m. (138 lots)
	Ancillary Building Retail portion	:	F1-F2: 851.18 sq.m.
	Studio Units portion	:	F3-F5: 1,467.23 sq.m.
	Club portion	:	B1&F1: 606.56 sq.m.
	Total	**:**	**41,300.45 sq.m. (include basement car park area)**

(2) According to Certificate for the Use of State-owned Land No. (2001) 10136 issued by Beijing Municipal State Resources & Housing Administrative Bureau dated 9 April 2001, the land use right of the site is granted to Beijing Jian Guo Real Estate Development Co., Ltd. with details as follows:

User of the Land	:	Beijing Jian Guo Real Estate Development Co., Ltd.
Location	:	No. 9, Gong Yuan Xi Jie, Dongcheng District
Land Type	:	Granted
Land Usage	:	Apartment
Site Area	:	5,679.75 sq.m.
Expiration Date	:	20 May 2067

Notes:

Beijing Jian Guo Real Estate Development Co., Ltd. does not entirely own the above 5,679.75 sq.m. of land use right as 31 units of apartments and 22 parking lots, together with the related area of land use right allocated to them, have been sold to different individuals. According to the certificate, the ownership of 9 units of sold apartments and 5 parking lots have been transferred to related individuals. Thus, the site area in the Certificate has been changed to 5,528.99 sq.m. from the date of 9 September 2005.

According to the Certificate for the Use of State-owned Land No. (2001) 10136, Beijing Jian Guo Real Estate Development Co., Ltd has charged the unsold portion of Jianguo Apartment with a site area of 5,146.17 sq.m. to China Merchants Bank as collateral dated from 28 April 1999 to 30 August 2008. Beijing Jian Guo Real Estate Development Co., Ltd has obtained a mortgage loan of RMB297,800,000 subject to the collateral being encumbered during that period.

(3) According to Building Ownership Certificate issued by Beijing Municipal State Resources & Housing Administrative Bureau dated 9 April 2001, the building ownership is granted to Beijing Jian Guo Real Estate Development Co., Ltd. with details as follows:

Building Ownership	:	Beijing Jian Guo Real Estate Development Co., Ltd.
Location	:	No. 9, Gong Yuan Xi Jie, Dongcheng District
Total Gross Floor Area	:	46,809.97 sq.m.

Notes:

Beijing Jian Guo Real Estate Development Co., Ltd. does not entirely own the above 46,809.97 sq.m. of building ownership as 31 units of apartments and 22 parking lots, together with the related gross floor area, have been sold to different individuals. According to the certificate, the ownership of 9 units of sold apartments and 5 parking lots have been transferred to related individuals. Thus, the gross floor area in the Certificate has been changed to 45,450.08 sq.m. from the date of 9 September 2005.

(4) According to the Building & Land Survey Report prepared by Beijing Real Estate Survey Office on 8 December 2006, the 138 lots basement car parking portion has a total gross floor area of 6,279.82 sq.m.

(5) As advised by the Company, the estimated total renovation costs in respect of the serviced apartment, commercial area and club is approximately RMB150,000,000 and the expended renovation cost as at 31 August 2007 was approximately RMB81,500,000. In the course of our valuation, we have taken into account the said renovation costs.

(6) We are of the opinion that the Capital Value when Completed of the Property, assuming sale with the benefit of vacant possession as at 31 August 2007, was in the sum of RMB860,000,000.

(7) According to the PRC legal opinion prepared by the Company's PRC legal adviser on the PRC law:

(i) Beijing Jian Guo Real Estate Development Co., Ltd. (北京建國房地產開發有限公司) is the legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;

(ii) The State-owned Land Use Rights Certificates are valid, legal and enforceable under the PRC laws;

(iii) Beijing Jian Guo Real Estate Development Co., Ltd. (北京建國房地產開發有限公司) has the right to occupy, use, transfer, mortgage and dispose of the land use rights of the property; and

(iv) The property is not subject to any mortgage.

(8) In accordance with the information provided by the Company and the PRC legal opinion, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes

VALUATION CERTIFICATE

Group II — Property leased by the Group in Hong Kong

	Property	Description and tenure	Capital value in existing state as at 31 August 2007
2.	Unit Nos. 3407-3408 on 34th Floor of West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong	Shun Tak Centre comprises two office towers erected upon a 7-storey commercial podium completed in 1986. The property comprises 2 units on 34th floor of the west office tower. The property has a gross floor area of approximately 351.55 sq.m. (3,784 sq.ft.) and is occupied by the Group for office purpose. The property is leased to the Group for a term of 3 years from 1 April 2006 to 31 March 2009 at a monthly rent of HK$109,736, exclusive of management fee, air-conditioning charges and government rates.	No commercial value

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have interests or short position 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long Positions

Name	*Notes*	Capacity	Interest in Shares	Interest in underlying Shares	Total interest	Percentage of the issued capital of the Company
China Star Entertainment Limited	*1,4*	Interest of corporation	583,606,128	447,000,000	1,030,606,128	52.80%
China Star Entertainment (BVI) Limited	*1,4*	Interest of corporation	583,606,128	447,000,000	1,030,606,128	52.80%
Classical Statue Limited	*1*	Beneficial owner	583,606,128	447,000,000	1,030,606,128	52.80%
Ms. Chu Yuet Wah	*2*	Interest of corporation	343,364,859	—	343,364,859	17.59%
Ms. Ma Siu Fong	*2*	Interest of corporation	343,364,859	—	343,364,859	17.59%
Kingston Securities Limited	*2*	Other	343,364,859	—	343,364,859	17.59%
Mr. Andrew Nan Sherrill	*3*	Interest of corporation	129,492,174	nil	129,492,174	9.95%
Asia Vest Partners Limited	*3*	Interest of corporation	129,492,174	nil	129,492,174	9.95%
Asia Vest Partners VII Limited	*3*	Interest of corporation	129,492,174	nil	129,492,174	9.95%
Asia Vest Partners X Limited	*3*	Interest of corporation	129,492,174	nil	129,492,174	9.95%
Northbay Investments Holdings Limited	*3*	Beneficial owner	129,492,174	nil	129,492,174	9.95%

Notes:

1. 583,606,128 Shares and 447,000,000 underlying Shares are beneficially owned by Classical Statue Limited. Classical Statue Limited is a wholly-owned subsidiary of China Star Entertainment (BVI) Limited. China Star Entertainment (BVI) Limited is a wholly-owned subsidiary of China Star Entertainment Limited. China Star Entertainment Limited and China Star Entertainment (BVI) Limited are deemed to be interested in the Shares and the underlying Shares owned by Classical Statue Limited.

2. Kingston Securities Limited interests in 343,364,859 Shares by virtue of its capacity as the underwriter in relation to the open offer as announced by the Company on 18 October 2007. 51% and 49% of the shareholding of Kingston Securities Limited are respectively owned by Ms. Chu Yuet Wah and Ms. Ma Siu Fong. Ms. Chu Yuet Wah and Ms. Ma Siu Fong are deemed to be interested in the 343,364,859 Shares.

3. 129,492,174 Shares are beneficially owned by Northbay Investments Holdings Limited. 35.5% and 64.5% of the shareholding of Northbay Investments Holdings Limited are respectively owned by Asia Vest Partners VII Limited and Asia Vest Partners X Limited, and both of them are indirectly wholly-owned by Mr. Andrew Nan Sherrill through Asia Vest Partners Limited.

4. Mr. Heung Wah Keung, the Vendor and Mr. Ho Wai Chi, Paul are directors of the Company and China Star Entertainment Limited. Mr. Heung Wah Keung and the Vendor are also directors of the Company, China Star Entertainment (BVI) Limited and Classical Statue Limited.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save for the S&P Agreement and the Acquisition, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the date of this circular and which was significant in relation to the business of the Group.

Save for the S&P Agreement and the Acquisition, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to member of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Group were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

6. LITIGATION

As at the Latest Practicable Date, save as disclosed below, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

(a) The Commissioner of Inland Revenue had issued proceedings on 30 March 2005 against OSLL, a wholly-owned subsidiary of the Company, in respect of an aggregate amount of outstanding taxation of HK$13,928,226 for the estimated assessments for the years of assessments from 1998/1999 to 2000/2001. Provision for this amount has been made in the Company's audited financial statements for the year ended 31 December 2006. OSLL has formally objected to the estimated assessments and paid the outstanding tax by monthly cash installments. On 23 January 2007, the Inland Revenue Department issued a letter to OSLL requesting for more information on the offshore income claim made by OSLL. The tax representatives of OSLL is preparing a reply to the Inland Revenue Department.

(b) A writ of summons and statement of claim was made by CL3 Architects Limited against Beijing Jianguo, a 96.7% owned subsidiary of the Company, in February 2006 for a claim of approximately HK$2,500,000 over the design contracts for the investment properties with Beijing Jianguo. A verdict was issued by the PRC court that Beijing Jianguo was liable to pay HK$2,500,000 to CL3 Architects Limited. Beijing Jianguo has appealed to Beijing City Supreme People's Court. Up to the Latest Practicable Date, Beijing City Supreme People's Court is processing the appeal.

7. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

8. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinion and advise, which is contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Grand Cathay Securities (Hong Kong) Limited	a licensed corporation registered under the SFO to carry out type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activity
DTZ Debenham Tie Leung Limited	Property Valuer

HLB Hodgson Impey Cheng, Grand Cathay Securities (Hong Kong) Limited and DTZ Debenham Tie Leung Limited have given and have not withdrawn their written consent to the issue of this circular with the inclusions of their respective letters and references to their names in the form and context in which they appear.

9. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, HLB Hodgson Impey Cheng, Grand Cathay Securities (Hong Kong) Limited and DTZ Debenham Tie Leung Limited:

(a) were not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up; and

(b) did not have any shareholding interest in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

10. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal office of the Company is situated at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(c) Mr. Chan Kin Wah, Billy, the company secretary and qualified accountant of the Company, is a member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from the University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from the University of New South Wales in Australia.

(d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

(i) a deed of variation dated 29 December 2005 entered into between Dragon Leader Limited, a wholly-owned subsidiary of the Company, Leadfirst Limited and Mr. Benny Ki relating to a conditional sale and purchase agreement dated 9 April 2005;

(ii) a placing agreement dated 7 September 2005 in relation to the placing by Goldbond Securities Limited of up to 400,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company at a price of HK$0.34 per share;

(iii) a facilities letter entered into between the Company and Kingston Finance Limited dated 30 March 2006 relating to a HK$250,000,000 loan facility;

(iv) a conditional sale and purchase agreement dated 17 February 2006 entered into among Riche (BVI) Limited, a wholly-owned subsidiary of the Company, and Northbay Investments Holdings Limited ("Northbay") relating to the acquisition of 100% interest in the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and all debts owing or incurred by Shinhan-Golden to Northbay (the "Shinhan-Golden S&P Agreement");

(v) a supplemental agreement dated 10 May 2006 entered into between the parties to the Shinhan-Golden S&P Agreement relating to the Shinhan-Golden S&P Agreement;

(vi) a placing agreement dated 19 March 2007 entered into between Classical Statute Limited, Kingston Securities Limited and the Company in relation to the top-up placing of 1,296,860,000 new ordinary shares of HK$0.01 each in the share capital of the Company at a price of HK$0.04 per share;

(vii) a conditional placing agreement dated 4 April 2007 entered into between the Company and Kingston Securities Limited in relation to the placing of 155,620,000 new Shares at a price of HK$0.55 per Share;

(viii) a joint venture agreement dated 11 May 2007 entered into between Legend Rich, the Company and Steve Leung Hotel Design and Management Limited;

(ix) a facility agreement dated 11 May 2007 entered into between Rich Joy Investments Limited, a wholly-ownded subsidiary of the Company, and Best Season Holdings Corp., a 75% owned subsidiary of the Company, in relation to the revolving facility of up to HK$200,000,000;

(x) a placing agreement dated 25 June 2007 entered into between the Company and Kingston Securities Limited in relation to the placing of 162,100,000 new Shares at a price of HK$0.5 per Share;

(xi) a placing agreement dated 24 July 2007 entered into between Classical Statute Limited, Kingston Securities Limited and the Company in relation to the top-up placing of 173,000,000 new Shares at a price of HK$0.83 per Share;

(xii) a conditional sale and purchase agreement entered into between Legend Rich, the Company and China Star Entertainment Limited dated 1 August 2007 in relation to an acquisition of a 100% interest in the issued share capital of Exceptional Gain Profits Limited and a sale loan;

(xiii) the S&P Agreement; and

(xiv) the underwriting agreement dated 16 October 2007 entered into between the Company and Kingston Securities Limited in relation to the proposed issue of 650,619,987 new Shares by way of open offer to the qualifying Shareholders for subscription on the basis of one new Share for every two existing Shares held on the record date.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including 21 November 2007:

(a) the Memorandum and Bye-Laws of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;

(c) the annual reports of the Group for the three financial years ended 31 December 2004, 2005 and 2006;

(d) the interim report of the Company for the six months ended 30 June 2007;

(e) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31 December 2006 (being the date to which the latest published audited consolidated financial statements of the Company was made up);

(f) the accountants' report on Modern Vision, the text of which is set out in Appendix II to this circular;

(g) the accountants' report on Over Profit, the text of which is set out in Appendix III to this circular;

(h) the accountants' report on the Summer Sound Group, the text of which is set out in Appendix IV to this circular;

(i) the accountants' report on Macau Co, the text of which is set out in Appendix V to this circular;

(j) the letter from HLB Hodgson Impey Cheng in respect of the unaudited pro forma financial information on the Enlarged Group as set out in Appendix VIII in this circular;

(k) the valuation report on the Property, the text of which is set out in Appendix IXa to this circular;

(l) the valuation report on the properties held by the Group, the text of which is set out in Appendix IXb to this circular; and

(m) the written consents of the experts referred to in the paragraph headed "Experts and Consents" in this Appendix.

RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

NOTICE IS HEREBY GIVEN that the Special General Meeting of Riche Multi-Media Holdings Limited (the "Company") will be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Wednesday, 21 November 2007 at 4:30 p.m. for the purpose of consideration and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the sale and purchase agreement dated 19 July 2007 (the "S&P Agreement") entered into between Legend Rich Limited, a wholly-owned subsidiary of the Company, and Ms. Chen Ming Yin, Tiffany relating to the acquisition of a 100% interest in the issued share capital of Modern Vision (Asia) Limited (a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) be and is hereby approved, ratified and confirmed in all respects and that all transactions contemplated under the S&P Agreement be and is hereby approved and that any one director of the Company be and is hereby authorised to do or execute all such acts or such other documents which the director may deem to be necessary, desirable or expedient to carry into effect or to give effect to the S&P Agreement and all transactions contemplated under the S&P Agreement."

By Order of the Board
Riche Multi-Media Holdings Limited
Heung Wah Keung
Chairman

Hong Kong, 5 November 2007

Head office and principal place of business in Hong Kong:
Unit 3408,
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy needs not be a shareholder of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.

5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.