THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licenced securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this Prospectus and the accompanying Provisional Allotment Letter and Excess Application Form (as defined herein) to the purchaser or transferee or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this Prospectus, together with the Provisional Allotment Letter, the Excess Application Form and the documents specified in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix III to this Prospectus, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance in Hong Kong. A copy of this Prospectus, together with copies of the Provisional Allotment Letter and the Excess Application Form, have also been filed with the Registrar of Companies in Bermuda as required by the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Securities and Futures Commission in Hong Kong, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority take no responsibility as to the contents of any document referred to above.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC (as defined herein) for deposit, clearance and settlement in CCASS (as defined herein) with effect from the commencement date of dealings in the Offer Shares or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

OPEN OFFER OF 650,619,987 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE

UNDERWRITER

KINGSTON SECURITIES LIMITED

The latest time for acceptance of application and payment for the Offer Shares is 4:00 p.m. on Friday, 7 December 2007 (the "Latest Acceptance Time"). The procedure for application and payment is set out on pages 21 to 23 of this Prospectus.

The existing Shares (as defined herein) have been dealt with on an ex-entitlement basis since Tuesday, 13 November 2007. Such dealings in the Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. A person dealing in Shares on an ex-entitlement basis will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Shareholders contemplating any dealings in the Shares are recommended to consult with their own professional advisers if they are in any doubt.

The Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company served prior to 4:00 p.m. on Wednesday, 12 December 2007 or such other time or date as the Company and the Underwriter may agree in writing to terminate the Underwriting Agreement on the occurrence of certain events including force majeure as set out in the section headed "Termination of the Underwriting Agreement" on pages 7 to 8 of this Prospectus.

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by the Underwriter) in accordance with the terms thereof, the Open Offer will not proceed. Shareholders should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

22 November 2007

CONTENTS

In this Prospectus, the following expressions shall, unless the context requires otherwise, have the following meanings:

"Acquisition"	the proposed acquisition of 100% equity interest in Modern Vision (Asia) Limited as disclosed in the Company's announcement dated 23 July 2007 and circular dated 5 November 2007
"Announcement"	the announcement dated 18 October 2007 issued by the Company in relation to the Open Offer
"associates"	has the meaning ascribed to this term under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"CCASS"	Central Clearing and Settlement System
"China Star"	China Star Entertainment Limited, a company incorporated in Bermuda and the issued shares of which are listed on the Main Board of the Stock Exchange
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"Company"	Riche Multi-Media Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to this term under the Listing Rules
"Convertible Notes"	the 0% interest bearing unsecured convertible notes in the principal amount of HK$447,000,000 to be issued by the Company in relation to the proposed acquisition of a 100% equity interest in Exceptional Gain Profits Limited and a sale loan as announced by the Company on 8 August 2007

"CSL"	Classical Statue Limited, a company incorporated in the British Virgin Islands, a substantial Shareholder and a wholly-owned subsidiary of China Star
"Directors"	the directors of the Company
"Excess Application Form(s)"	the excess application form(s) to be used in connection with the Open Offer by the Qualifying Shareholders to apply for excess Offer Shares not initially taken up under the Open Offer
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules
"Last Trading Day"	16 October 2007, being the last trading day of the Shares prior to the Announcement
"Latest Lodging Date"	4:00 p.m. on Wednesday, 14 November 2007 as the latest time for lodging transfer of Shares in order to qualify for the Open Offer
"Latest Practicable Date"	16 November 2007, being the latest practicable date prior to the printing of the Prospectus for ascertaining certain information referred in the Prospectus
"Latest Time for Acceptance"	4:00 p.m. on Friday, 7 December 2007 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Offer Shares

"Latest Time for Termination"	4:00 p.m. on the third Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Offer Share(s)"	650,619,987 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of one Offer Share for every two existing Shares held on the Record Date and payable in full on acceptance pursuant to the Open Offer
"Open Offer"	the proposed issue of the Offer Shares by way of open offer to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents
"Overseas Letter"	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer
"Overseas Shareholders"	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
"PRC"	the People's Republic of China
"Prohibited Shareholder(s)"	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them
"Prospectus"	the prospectus issued by the Company in relation to the Open Offer

"Prospectus Documents"	the Prospectus, the Provisional Allotment Letter and the Excess Application Form
"Prospectus Posting Date"	22 November 2007, being the date of despatch of the Prospectus Documents
"Provisional Allotment Letter(s)"	the provisional allotment letter(s) to be used by the Qualifying Shareholders to apply for their entitlement of the Offer Shares under the Open Offer
"Qualifying Shareholders"	the Shareholders, other than the Prohibited Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
"Record Date"	20 November 2007, being the date by reference to which entitlements to the Open Offer will be determined
"Registrar"	Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, being the Company's Hong Kong branch share registrar
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option(s)"	options(s) granted under the share option scheme of the Company adopted on 21 January 2002
"Specified Event"	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Storm Warning"	a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal
"Subscription Price"	the subscription price of HK$0.30 per Offer Share
"Undertaking"	the undertaking dated 16 October 2007 and given by CSL in favour of the Company and the Underwriter, further details of which are set out in the section headed "Undertakings given by CSL and holders of Share Options" in the Prospectus
"Underwriter"	Kingston Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the SFO
"Underwriting Agreement"	the underwriting agreement dated 16 October 2007 entered into between the Company and the Underwriter in relation to the Open Offer
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

	2007
Last day of dealing in Shares on a cum-entitlement basis	Monday, 12 November
First day of dealing in Shares on an ex-entitlement basis	Tuesday, 13 November
Latest time for lodging transfer of Shares in order to be qualified for the Open Offer	4:00 p.m. Wednesday, 14 November
Register of members of the Company closes	Thursday, 15 November to Tuesday, 20 November (both dates inclusive)
Record Date	Tuesday, 20 November
Register of members of the Company reopens	Wednesday, 21 November
Despatch of Prospectus Documents	Thursday, 22 November
Latest time for acceptance of and payment for Offer Shares	4:00 p.m. on Friday, 7 December
Latest time for the Open Offer to become unconditional	4:00 p.m. on Wednesday, 12 December
Announcement of the results of the Open Offer	Friday, 14 December
Despatch of refund cheques in respect of wholly or partly unsuccessful excess applications	Tuesday, 18 December
Share certificates for Offer Shares to be posted	Tuesday, 18 December
Dealing in fully-paid Offer Shares commences	Thursday, 20 December

All times stated in the Prospectus refer to Hong Kong times. Dates or deadlines stated in the Prospectus for events in the timetable for (or otherwise in relation to) the Open Offer are indicative only and may be extended or varied by the Company. Further announcement will be made in the event that there is any change to the expected timetable for the Open Offer.

EFFECT OF THE BAD WEATHER IN THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE OFFER SHARES

The latest time for acceptance and payment for the Offer Shares will not take place if there is a Storm Warning in force in Hong Kong at any local time between 9:00 a.m. and 4:00 p.m. on Friday, 7 December 2007. Instead the latest time for application and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have a Storm Warning in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for application and payment for the Offer Shares does not take place on Friday, 7 December 2007, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

(1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:

   (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

   (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

(5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

(6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of any of the Underwriter, a material omission in the context of the Open Offer; or

(7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of and in connection with the Underwriting Agreement and the Open Offer shall not proceed.

RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

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

22 November 2007

To the Qualifying Shareholders and, for information only, the Prohibited Shareholders

Dear Sir or Madam,

OPEN OFFER OF 650,619,987 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE

INTRODUCTION

As stated in the Announcement, the Company proposes to raise approximately HK$195.19 million before expenses, by way of open offer of 650,619,987 Offer Shares at a price of HK$0.30 per Offer Share on the basis of one Offer Share for every two existing Shares held on the Record Date and payable in full on acceptance. Qualifying Shareholders are entitled to apply for excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer. The Open Offer will not be extended to the Prohibited Shareholders.

The purpose of this Prospectus is to provide you with further information regarding the Open Offer, including information on procedures for application and payment and certain financial information and other information in respect of the Group.

OPEN OFFER

Issue statistics

Basis of the Open Offer:	One Offer Share for every two existing Shares held on the Record Date and payable in full on acceptance
Subscription Price:	HK$0.30 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	1,301,239,974 Shares
Number of Offer Shares:	650,619,987 Offer Shares
Maximum number of Offer Shares under Excess Application to be subscribed by CSL:	169,079,628 Offer Shares
Number of Offer Shares undertaken to be taken up by CSL:	CSL has given the Undertaking in favour of the Company and the Underwriter to subscribe for 138,175,500 Offer Shares to which CSL is entitled under the Open Offer and to submit excess application(s) for a maximum of 169,079,628 Offer Shares such that when aggregated with all Shares held by it and its concert parties and taking into account the 138,175,500 Offer Shares agreed to be subscribed by it under the Open Offer, shall not exceed 29.9% of the Company's issued share capital on a fully diluted basis taking into account the Open Offer.
Number of Offer Shares underwritten by the Underwriter:	Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Offer Shares (other than the Offer Shares agreed to be taken up by CSL) which have not been taken up, being 343,364,859 Offer Shares. Accordingly, the Open Offer is fully underwritten.
Number of Shares in issue upon completion of the Open Offer:	1,951,859,961 Shares

Save for the 239,355,994 Share Options held by employees and consultants of the Group and in which they have undertaken not to exercise and the Convertible Notes, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date and has no intention to issue any new Shares or any of the above securities before the Record Date. The breakdown of Share Options held are as to 191,094,994 and 48,261,000 to employees and consultants of the Group respectively none of whom are connected persons of the Company.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders. To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date:

(i) be registered on the register of members of the Company; and

(ii) not be the Prohibited Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:00 p.m. on Wednesday, 14 November 2007. The address of the Registrar is 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange. The Directors consider that the arrangement of trading in nil-paid entitlements on the Stock Exchange will involve additional administrative work and costs for the Open Offer, which is not considered to be cost-effective.

Closure of register of members

The register of members of the Company was closed from Thursday, 15 November 2007 to Tuesday, 20 November 2007, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares can be registered during this period.

Subscription Price

The Subscription Price for the Offer Shares is HK$0.30 per Offer Share, payable in full on application. The Subscription Price represents:

(i) a discount of 20% to the closing price of HK$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 14.29% to the theoretical ex-entitlement price of approximately HK$0.35 per Share based on the closing price of HK$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 26.47% to the average of the closing prices of HK$0.408 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 25.93% to the average of the closing prices of HK$0.405 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a premium of 5.26% over the closing price of HK$0.285 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Shares and the recent financial requirements of the Company in light of the Acquisition. In view of the recent financial requirements of the Group as mentioned above and taking into consideration of the theoretical ex-entitlement price per Share, in order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors) consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Basis of allotment

One Offer Share for every two existing Shares held by a Qualifying Shareholder as at the close of the business on the Record Date.

Status of the Offer Shares

The Offer Shares (when allotted, fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Certificates of the fully-paid Offer Shares and refund cheques

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted on or before Tuesday, 18 December 2007 to those entitled thereto by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares are also expected to be posted on or before Tuesday, 18 December 2007 by ordinary post at their own risk.

Each Qualifying Shareholder will receive one share certificate for all the Offer Shares validly applied for and issued to his/her/it.

Rights of the Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. The Board will make enquiries to its lawyers as to whether the issue of Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to Offer Shares to such Overseas Shareholders, no provisional allotment of Offer Shares will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Prohibited Shareholders.

Application for excess Offer Shares

For excess application of Offer Shares, the Company will determine on a fair and equitable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings; and

(2) subject to availability of excess Offer Shares after allocation under principle (1) above, the excess Offer Shares will be allocated to Qualifying Shareholders who have applied for excess application based on a pro-rata basis to the excess Offer Shares applied by them, with board lots allocations to be made on best effort's basis.

Fractions of Offer Shares

Fractional entitlements to the Offer Shares will not be issued but will be aggregated and, if possible, sold and the proceeds thereof will be retained for the benefit of the Company.

Application for listing

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Offer Shares. Dealing in the Offer Shares will commence on the Stock Exchange on Thursday, 20 December 2007 and will be subject to the payment of stamp duty in Hong Kong.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional upon:

(1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;

(2) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;

(3) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of dealings of the Offer Shares;

(4) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;

(5) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement; and

(6) compliance with and performance of all undertakings and obligations of CSL under the Undertaking and those of holders of Share Options relating to non-exercise of Share Options granted.

The Underwriter may at any time by notice in writing to the Company waive the conditions precedent set out in paragraph (5). Save and except the conditions precedent set out in paragraph (5), the other conditions precedent are incapable of being waived.

If the conditions precedent are not satisfied and/or waived in whole or in part by the Underwriter by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

UNDERTAKINGS GIVEN BY CSL AND HOLDERS OF SHARE OPTIONS

CSL has given the Undertaking in favour of the Company and the Underwriter to subscribe for 138,175,500 Offer Shares to which CSL is entitled under the Open Offer and to submit excess application(s) for a maximum of 169,079,628 Offer Shares such that when aggregated with all Shares held by it and its concert parties and taking into account the 138,175,500 Offer Shares agreed to be subscribed by it under the Open Offer, shall not exceed 29.9% of the Company's issued share capital on a fully diluted basis taking into account the Open Offer.

All holders of Share Options have given irrevocable undertakings in favour of the Company and the Underwriter not to exercise any of the Share Options held by them before the Record Date. There are total of 239,355,994 Share Options as at the Latest Practicable Date. The Company will procure all grantees of Share Options to be granted before the Record Date, if any, to give irrevocable undertakings in favour of the Company and the Underwriter not to exercise any of the Share Options held by them before the Record Date.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date:	16 October 2007 (after trading hours)
Underwriter:	Kingston Securities Limited. The Underwriter has acted as placing agent for the Group on four raising activities as shown in the section headed "Fund Raising Activities of the Company in the last 12 months". Other than acting as the placing agent, there are no prior transaction/relationship between the Company and the Underwriter and/or its ultimate beneficial owners
Number of Offer Shares underwritten:	Not more than 343,364,859 Offer Shares.
Commission:	Approximately HK$2,575,236, being 2.5% of the aggregate Subscription Price in respect of the maximum number of Offer Shares agreed to be underwritten by the Underwriter, being 343,364,859 Offer Shares

Any Offer Shares not taken up by the Qualifying Shareholders, other than CSL (as disclosed under the section headed "Undertakings given by CSL and holders of Share Options" above) will be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement. Accordingly, the Open Offer is fully underwritten.

The Underwriter and its ultimate beneficial owners are Independent Third Parties.

The 2.5% commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter based on normal commercial terms with reference to the market rates.

Conditions of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that for the purposes of the clause herein if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

(1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:

 (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

 (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

(5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

(6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of any of the Underwriter, a material omission in the context of the Open Offer; or

(7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

SHAREHOLDING STRUCTURE

The following is the shareholding structure of the Company immediately before and after completion of the Open Offer:

	As at the Latest Practicable Date		Immediately after completion of the Open Offer (assuming no Qualifying Shareholders take up his/her/its entitlements under the Open Offer, except that CSL takes up all of its entitlement and Offer Shares under excess application up to holding of 29.9% interest in the Company's issued share capital as enlarged by the Open Offer)		Immediately after completion of the Open Offer (assuming all Qualifying Shareholders take up his/her/its entitlements under the Open Offer)	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
CSL	276,351,000	21.24	583,606,128	29.90	414,526,500	21.24
Northbay Investments Holdings Limited*	129,492,174	9.95	129,492,174	6.63	194,238,261	9.95
The Underwriter	—	0.00	343,364,859	17.59	—	0.00
Public	895,396,800	68.81	895,396,800	45.88	1,343,095,200	68.81
	1,301,239,974	100.00	1,951,859,961	100.00	1,951,859,961	100.00

Note:

* 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. Northbay Investments Holdings Limited and its ultimate beneficial owner do not hold any management position or directorship in the Company.

ADJUSTMENTS IN RELATION TO THE SHARE OPTIONS

As at the Latest Practicable Date, there are outstanding Share Options entitling the holders to subscribe for up to an aggregate of 239,355,994 Shares. The Open Offer may cause adjustments to the exercise prices and/or the number of Shares to be issued under the Share Options. The Company will appoint the Company's auditors to review and confirm that the basis of such adjustments (if any) to the Share Options comply with Chapter 17 of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and in accordance with the rules of the Company's share option scheme adopted on 21 January 2002. The Company will inform the holders of the Share Options of the adjustments (if any) as a result of the Open Offer.

WARNING OF THE RISK OF DEALING IN THE SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed.

Shareholders and potential investors should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares have been dealt with on an ex-entitlement basis commencing from Tuesday, 13 November 2007 and that dealing in Shares take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Wednesday, 12 December 2007), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The principal activities of the Company is investment holding. The Group is principally engaged in the distribution of films, sub-licensing of film rights, sale of financial assets and property investment. The Group will continue with its existing business following the Open Offer.

The estimated net proceeds from the Open Offer will be approximately HK$189 million. The Board intends to apply such proceeds from the Open Offer for the Acquisition and general working capital of the Group.

The estimated expense in relation to the Open Offer, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses, of approximately HK$6.19 million, will be borne by the Company. Having considered other fund raising alternatives for the Group, including bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

FINANCIAL AND FUTURE PROSPECT

As the Directors believe that the operating environment for film distribution in the PRC will not be improved in coming years, the best strategy for 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 property 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.

In view of that, the Directors believe the proceeds from the Open Offer would provide an extra funding to facilitate the Acquisition and general working capital of the Group.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE LAST 12 MONTHS

The following table summaries the capital raising activities of the Group in the last 12 months before the Latest Practicable Date:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
25 July 2007	Placing of 173,000,000 existing Shares and subscription of 173,000,000 new Shares	HK$139,800,000	For expansion of the property investment business of the Group, including the property set out in the Company's announcement dated 23 July 2007	Fully utilised on the deposit payment on the Acquisition

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
25 June 2007	Placing of 162,100,000 new Shares under general mandate	HK$78,900,000	For the expansion of the Group's property investment business	Fully utilised on the deposit payment on the Acquisition
10 April 2007	Placing of 155,620,000 new Shares	HK$83,300,000	For financing possible diversified investments of the Group and the general working capital of the Group	Fully utilised on the deposit payment on the Acquisition
19 March 2007	Placing of 129,686,000 existing Shares and subscription of 129,686,000 new Shares	HK$50,500,000	For financing possible diversified investments of the Group and the general working capital of the Group	Fully utilised on the deposit payment on the Acquisition

There has been no change in the above use of proceeds for the captioned raising activities.

PROCEDURE FOR APPLICATION

Application for Offer Shares

The Provisional Allotment Letter is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed to apply for the number of Offer Shares as shown therein subject to payment in full by the Latest Time for Acceptance. Qualifying Shareholders should note that they may apply for any number of Offer Shares only up to the number set out in the Provisional Allotment Letter.

If Qualifying Shareholders wish to apply for all the Offer Shares offered to them as specified in the Provisional Allotment Letter or wish to apply for any number less than their provisional entitlement under the Open Offer, they must complete, sign and lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of Offer Shares they have applied with the Registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 7 December 2007. All remittance(s) must be made in Hong Kong dollars and cheques must be drawn on an account with, or banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Riche Multi-Media Holdings Limited — Open Offer Account" and crossed "Account Payee Only".

It should be noted that unless the duly completed and signed Provisional Allotment Letter, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Friday, 7 December 2007, the provisional entitlement under the Open Offer and all rights in relation thereto shall be deemed to have been declined and will be cancelled.

Application for excess Offer Shares

Qualifying Shareholders may apply, by way of excess application, for any Offer Shares in provisional allotment of other Qualifying Shareholders but not applied for by them, any Offer Shares arising from the aggregation of fractional entitlements and any Offer Shares not offered to the Prohibited Shareholders.

Application for excess Offer Shares should be made by completing the Excess Application Form enclosed with this Prospectus (if despatched to a Qualifying Shareholder) for excess Offer Shares and lodging the same with a separate remittance for the full amount payable in respect of the excess Offer Shares being applied for in accordance with the instructions printed thereon, with the Registrar by not later than 4:00 p.m. on Friday, 7 December 2007. All remittances must be made in Hong Kong dollars and cheques must be drawn on an account with, or banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Riche Multi-Media Holdings Limited — Excess Application Account" and crossed "Account Payee Only". The Registrar will notify the Qualifying Shareholders of any allotment of the excess Offer Shares made to them.

It should be noted that unless the duly completed and signed Excess Application Form, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Friday, 7 December 2007, the Excess Application Form is liable to be rejected.

All cheques or cashier orders will be presented for payment immediately following receipt and all interest earned on such application monies will be retained for the benefit of the Company. Any Provisional Allotment Letter or Excess Application Form in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the relevant entitlements of the Qualifying Shareholders under the Open Offer will be deemed to have been declined and will be cancelled.

In the event that applications are received for the Offer Shares in excess of provisional entitlements, the Directors will allocate the Offer Shares in excess of provisional entitlements at their discretion, but on a fair and reasonable basis as far as practicable.

Both Provisional Allotment Letter and Excess Application Form are for the use by the person(s) named therein only and are not transferable.

No receipt will be issued in respect of any application monies received.

Any Offer Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriter or subscribers procured by the Underwriter.

The Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee as a single shareholder according to the register of members of the Company.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this Prospectus.

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

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 and 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 prepayments	—	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$'000*
				(Unaudited)	(Unaudited)
Turnover	58,382	38,339	17,476	29,191	12,762
Cost of sales	(48,674)	(36,466)	(13,998)	(24,465)	(9,965)
Gross profit	9,708	1,873	3,478	4,726	2,797
Other revenue	390	2,066	5,699	1,307	3,090
Other income	—	7,110	5,560	122,593	4,430
Increase in fair value of investment properties	—	—	590	—	—
Administrative expenses	(36,266)	(19,332)	(26,811)	(15,656)	(8,574)
Selling expenses	(234)	(29)	—	—	—
Share based payment expenses	—	—	—	(13,688)	—
Loss on disposal of property, plant and equipment	—	—	—	—	(1,034)
Impairment loss recognised in respect of other asset	(46,512)	—	—	—	(1,181)
Impairment loss recognised in respect of film rights	(16,213)	(8,956)	—	—	—
Impairment loss recognised in respect of goodwill	(28,072)	(12,056)	—	—	—
Impairment loss recognised in respect of available-for-sale financial assets	(12,000)	—	—	—	—
Allowance for advances to an associate	(138,531)	—	—	—	—
(Loss)/profit from operations	(267,730)	(29,324)	(11,484)	99,282	(472)
Finance costs	(340)	(340)	(9,615)	(8,334)	(668)
(Loss)/profit before taxation	(268,070)	(29,664)	(21,099)	90,948	(1,140)
Taxation	(277)	—	(195)	—	—
(Loss)/profit for the year/period	(268,347)	(29,664)	(21,294)	90,948	(1,140)
Attributable to:					
Equity holders of the Company	(268,347)	(29,664)	(21,294)	90,948	(1,140)
(Loss)/earnings per share attributable to the equity holders of the Company					
Basic	HK$(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 assets			
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 HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note i)	Contributed surplus HK$'000 (Note ii)	Special reserve HK$'000 (Note iii)	Properties revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total 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 buildings	—	—	—	—	—	(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 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 during 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 receipts 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 paid	(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 financial 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 *HK$'000*	**Sub-licensing** *HK$'000*	**Sales of financial assets** *HK$'000*	**Property investment** *HK$'000*	**Consolidated** *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$'000*	*HK$'0000*	*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
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 alignments	—	—	(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 a 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, was 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 amounts 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 due to subsidiaries approximate to their fair values.

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 Jianguo Real Estate Development Co., Limited	British Virgin Islands	1 ordinary share of US$1	Dormat
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 to 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 Stock Exchange.

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 4.8% (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 apartments 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 Group's 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 aligment	—	—	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 basic 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 owed 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 adjustments**	**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, prepayment 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
Receipts in advance	(8,978)
Accruals 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 sale 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 from 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**	**Exercisable period**	**Outstanding at 1.1.2005 and 1.1.2006**	**Granted during 2006**	**Outstanding at 31.12.2006**
		HK$	*(note i)*		*(note ii)*	
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
Repayment of convertible notes payable	*(i)*	—	33,800
Post-production expenses	*(ii)*	90	736
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 rights to films	*(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 *HK$'000* (Unaudited)	At 31 December 2006 *HK$'000* (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 *HK$'000* (Unaudited)	At 31 December 2006 *HK$'000* (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:

Name of company	Nature of transaction	Six months ended 30 June 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 GROUP

Statement of indebtedness

As at the close of business of 31 October 2007, being the latest practicable date for the purpose of the statement of indebtedness, the Group had outstanding borrowings, contingencies and commitments of approximately HK$365,369,000, HK$2,500,000 and HK$235,357,000 respectively, details of which are as follows:

Borrowings

As at 31 October 2007, the Group had secured bank borrowings of approximately HK$320,369,000 which were secured by the Group's investment properties and an amount due to a Director of approximately HK$45,000,000.

Contingencies

As at 31 October 2007, the Group had 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. A reply was sent to the Inland Revenue Department on 9 November 2007.

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, Beijing City Supreme People's Court is processing the appeal.

Commitments

i. As at 31 October 2007, the Group had commitments in respect of renovation contracts in the amount of approximately HK$35,357,000 which were not provided for in the consolidated financial statements.

ii. As at 31 October 2007, the Group had 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.

iii. 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 to own more than 51% in Shanghai Shengping.

Disclaimer

Save as disclosed above and apart from intra-group liabilities, the 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 October 2007.

WORKING CAPITAL

As at the Latest Practicable Date, after taking into account of the available credit facilities, the internal resources of the Group and the estimated net proceeds from the Open Offer, the Directors were of the opinion that the Group had sufficient working capital for the 12-month period from the date of this Prospectus.

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.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been completed on 30 June 2007.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the 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 Group as at 30 June 2007 or at any future date.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 30 June 2007 and adjusted to reflect the effect of the Open Offer:

	Unaudited consolidated net tangible assets of the Group as at 30 June 2007	**Net proceeds from the placings**	**Unaudited consolidated net tangible assets of the Group prior to the completion of the Open Offer**	**Estimated net proceeds from the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group upon completion of the Open Offer**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		*(Note 3)*	
	579,434	218,700	798,134	189,000	987,134
Unaudited consolidated net tangible assets per Share prior to the completion of the Open Offer *(Note 4)*					HK$0.613
Unaudited pro forma adjusted consolidated net tangible assets per Share upon completion of the Open Offer *(Note 5)*					HK$0.506

Notes:

1. The unaudited consolidated net tangible assets of the Group as at 30 June 2007 is calculated after deducting the unaudited consolidated net assets of the Group as at 30 June 2007 of approximately HK$656,718,000 with goodwill of approximately HK$77,284,000 as at 30 June 2007.

2. On 25 June 2007, the Company and the placing agent entered into a placing agreement with independent third parties which conditionally agreed to place 162,100,000 new Shares at a price of HK$0.5 per Share. The net proceeds received from the placing of the 162,100,000 Shares by the Company was approximately HK$78,900,000. On 24 July 2007, the Company and the placing agent entered into a 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 new Shares at a price of HK$0.83 per Share. The net proceeds received from the top-up placing by the Company was approximately HK$139,800,000.

3. The estimated net proceeds from the Open Offer are calculated based on 650,619,987 Offer Shares to be issued at the Subscription Price of HK$0.30 per Offer Share, after deduction of estimated expenses of approximately HK$6,186,000.

4. The unaudited consolidated net tangible assets per Share prior to the completion of the Open Offer is calculated based on the unaudited consolidated net tangible assets of the Group prior to the completion of the Open Offer of approximately HK$798,134,000 divided by the sum of the 966,139,974 Shares in issue as at 30 June 2007 and the 335,100,000 Shares in issue upon completion of the placings referred to in note 2 above.

5. The unaudited pro forma adjusted consolidated net tangible assets per Share upon completion of the Open Offer is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group upon completion of the Open Offer of approximately HK$987,134,000 divided by 1,951,859,961 Shares in issue immediately following the completion of the Open Offer, assuming the completion of the Open Offer with 650,619,987 Offer Shares being issued.

6. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2007.

2. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of the report, prepared for the sole purpose of inclusion in this prospectus, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, in connection with the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group set out in this appendix.

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

22 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 statement of adjusted consolidated net tangible assets (the "Unaudited Pro Forma Consolidated Net Tangible Assets") of Riche Multi-Media Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the open offer of 650,619,987 new shares to qualifying shareholders on the basis of one offer share for every two shares held on record date at HK$0.30 per offer share payable in full on acceptance (the "Open Offer") might have affected the financial information presented, for inclusion in Appendix II to the prospectus dated 22 November 2007 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Consolidated Net Tangible Assets is set out on pages 96 to 97 of the Prospectus.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Consolidated Net Tangible Assets 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 with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Consolidated Net Tangible Assets and to report our opinion 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 Consolidated Net Tangible Assets 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 work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Consolidated Net Tangible Assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

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 Consolidated Net Tangible Assets 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 Consolidated Net Tangible Assets as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Consolidated Net Tangible Assets is for illustrative purpose only, based on the judgements and assumptions made by the directors of the Company and, because of its hypothetical nature, 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 Group as at 30 June 2007 or any future date.

OPINION

In our opinion:

a) the Unaudited Pro Forma Consolidated Net Tangible Assets 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 Consolidated Net Tangible Assets 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

1. RESPONSIBILITY STATEMENT

This Prospectus 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 Prospectus and confirm, having made all reasonable enquires, 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. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Open Offer was and will be as follows:

Authorised:		*HK$*
2,000,000,000	Shares	200,000,000
Issued and fully paid or credited as fully paid or to be issued under the Open Offer:		
1,301,239,974	Shares in issue as at the Latest Practicable Date	130,123,997
650,619,987	Offer Shares to be issued pursuant to the Open Offer	65,061,999
1,951,859,961	Shares	195,185,996

All the Shares in issue and to be issued (when fully paid) rank and will rank pari passu in all respects with each other including rights to dividends, voting and return of capital.

As at the Latest Practicable Date, no share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the Convertible Notes and the Open Offer. The proposed acquisition of a 100% equity interest in Exceptional Gain Profits Limited and a sale loan will be satisfied by the issue of the Convertible Notes at an initial conversion price of HK$1.00 per Share by the Company upon completion of that acquisition.

On 5 November 2007, the Company announced a proposed increase in the authorised share capital of the Company from HK$200,000,000 divided into 2,000,000,000 Shares to HK$600,000,000 divided into 6,000,000,000 Shares by the creation of 4,000,000,000 new Shares (the "Capital Increase"). The 4,000,000,000 new Shares, when issued, shall rank pari passu in all respects with the existing Shares. The Capital Increase shall be conditional upon that approval of an ordinary resolution by the Shareholders at a special general meeting of the Company to be convened to approve the Capital Increase.

The Shares are listed on the Main Board of the Stock Exchange. No part of the Share or loan capital of the Company is listed or dealt in, nor is listing or permission to deal in the Share or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived.

Save as disclosed in the Prospectus, no share or loan capital of the Company or any member of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion tight affecting the Shares has been issued or granted or agreed conditionally or unconditionally to be issued or granted.

3. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Head office and principal place of business	Unit 3408, Shun Tak Centre West Tower 168-200 Connaught Road Central Hong Kong
Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Underwriter	Kingston Securities Limited Suite 2801 28th Floor One International Finance Centre 1 Harbour View Street Central, Hong Kong
Auditors and reporting accountants	HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants 31/F Gloucester Tower The Landmark 11 Pedder Street Central, Hong Kong

Principal bankers	Hang Seng Bank Limited Head Office 83 Des Voeux Road Central Hong Kong Bank of China (Hong Kong) Limited Bank of China Tower Branch 1 Garden Road, Hong Kong Seng Heng Bank Limited 18/F, Seng Heng Bank Tower Macau Landmark, Macau
Hong Kong branch Share Registrar and Transfer Office	Tricor Standard Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Authorised Representatives	Mr. Heung Wah Keung Ms. Chen Ming Yin, Tiffany
Company Secretary	Mr. Chan Kin Wah, Billy
Qualified Accountant	Mr. Chan Kin Wah, Billy

4. 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.

5. 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	*1 and 4*	Interest of corporation	583,606,128	447,000,000	1,030,606,128	52.80%
China Star Entertainment (BVI) Limited	*1 and 4*	Interest of corporation	583,606,128	447,000,000	1,030,606,128	52.80%
CSL	*1*	Beneficial owner	583,606,128	447,000,000	1,030,606,128	52.80%
The Underwriter	*2*	Other	343,364,859	—	343,364,859	17.59%
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%
Mr. Andrew Nan Sherrill	*3*	Interest of corporation	129,492,174	—	129,492,174	9.95%
Asia Vest Partners Limited	*3*	Interest of corporation	129,492,174	—	129,492,174	9.95%
Asia Vest Partners VII Limited	*3*	Interest of corporation	129,492,174	—	129,492,174	9.95%
Asia Vest Partners X Limited	*3*	Interest of corporation	129,492,174	—	129,492,174	9.95%
Northbay Investments Holdings Limited	*3*	Beneficial owner	129,492,174	—	129,492,174	9.95%

Notes:

1. 583,606,128 Shares and 447,000,000 underlying Shares are beneficially owned by CSL. CSL is a wholly-owned subsidiary of China Star Entertainment (BVI) Limited. China Star Entertainment (BVI) Limited is a wholly-owned subsidiary of China Star. China Star and China Star Entertainment (BVI) Limited are deemed to be interested in the Shares and the underlying Shares owned by CSL.

2. The Underwriter interests in 343,364,859 Shares by virtue of its capacity as the underwriter in relation to the Open Offer. 51% and 49% of the shareholding of the Underwriter 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, Ms. Chen Ming Yin, Tiffany and Mr. Ho Wai Chi, Paul are directors of the Company and China Star. Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany are also directors of China Star Entertainment (BVI) Limited and CSL.

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save for the conditional sale and purchase agreement dated 19 July 2007 entered into between the Company and Ms. Chen Ming Yin, Tiffany, an executive Director, relating to the Acquisition and a loan agreement dated 5 November 2007 entered into between the Company and Ms. Chen Ming Yin, Tiffany, 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 the Prospectus and which was significant in relation to the business of the Group.

Save for the conditional sale and purchase agreement dated 19 July 2007 entered into between the Company and Ms. Chen Ming Yin, Tiffany, an executive Director, relating to the Acquisition and a loan agreement dated 5 November 2007 entered into between the Company and Ms. Chen Ming Yin, Tiffany, 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.

7. 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.

8. LITIGATIONS

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 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. A reply was sent to the Inland Revenue Department on 9 November 2007.

(b) 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. 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, so far as the Directors are aware Beijing City Supreme People's Court is processing the appeal.

9. 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.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and advice, which is contained in this Prospectus:

Name	**Qualifications**
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants

HLB Hodgson Impey Cheng has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusions of its respective letter and reference to its name in the form and context in which it appears.

11. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, HLB Hodgson Impey Cheng:

(a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up; and

(b) did not have any shareholding interest in any member of the 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 Group.

12. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of the Prospectus Documents and the consent letter referred to in the paragraph "Expert and Consent" in this Appendix have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance. A copy of each of the Prospectus Documents has also been delivered to the Registrar of Companies in Bermuda for filing pursuant to section 26(1) of the Companies Act.

13. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business 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, Wanchai, 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 the Prospectus shall prevail over the Chinese text in the case of inconsistency.

14. 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 an 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 CSL, the Underwriter 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 the Underwriter 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 Limited, a wholly-owned subsidiary of the Company, 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-owned 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 the Underwriter 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 CSL, the Underwriter 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 dated 19 July 2007 entered into between Legend Rich Limited and Ms. Chen Ming Yin, Tiffany relating to the Acquisition by Legend Rich Limited;

(xiii) a conditional sale and purchase agreement dated 1 August 2007 entered into among Legend Rich Limited, China Star and the Company relating to an acquisition of 100% interest in Exceptional Gain Profits Limited and a sale loan by Legend Rich Limited;

(xiv) the Underwriting Agreement; and

(xv) a loan agreement dated 5 November 2007 entered into between the Company and Ms. Chen Ming Yin, Tiffany pursuant to which Ms. Chen Ming Yin, Tiffany granted an unsecured and interest-free loan of HK$45,000,000 to the Company for a period of six months from the date of the loan agreement.

15. 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 the Latest Practicable Date:

(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 report on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group from HLB Hodgson Impey Cheng, the text of which is set out on pages 98 to 100 of this Prospectus;

(g) the consent letter from HLB Hodgson Impey Cheng referred to under the paragraph headed "Expert and consent" in this Appendix; and

(h) this Prospectus.