CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

FINAL RESULTS

The board of directors (the "Board") of China Star Investment Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 together with the comparative figures for 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000 (Restated)
Continuing operations			
Turnover	*5*	**19,253**	7,722
Cost of sales		**(493)**	—
Gross profit		**18,760**	7,722
Other revenue and other income	*6*	**2,427**	2,922
Impairment loss recognised in respect of goodwill		**(101,965)**	—
Administrative expenses		**(26,462)**	(55,393)
Loss from operations	*7*	**(107,240)**	(44,749)
Finance costs	*8*	**(3,350)**	—
Loss before taxation		**(110,590)**	(44,749)
Taxation	*9*	**13,854**	—
Loss for the year from continuing operations		**(96,736)**	(44,749)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	*10*	**(127,772)**	70,443
(Loss)/profit for the year		**(224,508)**	25,694
(Loss)/profit attributable to equity holders of the Company		**(224,508)**	25,694
(Loss)/earnings per share attributable to equity holders of the Company during the year — basic and diluted			
From continuing operations	*11*	**HK(49.56) cents**	HK(43.47) cents
From discontinued operations	*11*	**HK(65.46) cents**	HK68.43 cents
From continuing and discontinued operations	*11*	**HK(115.02) cents**	HK24.96 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,155**	6,000
Investment properties		—	887,450
Goodwill		—	39,456
Intangible assets		**456,857**	—
Club membership		**172**	172
		459,184	933,078
Current assets			
Inventories		—	32,783
Trade receivables		**6,839**	1,245
Deposits, prepayments and other receivables		**1,627**	31,830
Tax prepayments		—	12,120
Cash and cash equivalents		**7,218**	531,396
		15,684	609,374
Assets of disposal group classified as held for sale	*10*	**1,049,412**	—
		1,065,096	609,374
Total assets		**1,524,280**	1,542,452
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**1,952**	195,186
Reserves		**892,471**	850,894
		894,423	1,046,080
Minority interests		—	3,896
Total equity		**894,423**	1,049,976

	Note	**2008**	2007
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Secured bank loan — due after one year		—	301,485
Convertible notes		**105,803**	—
Deferred taxation		**61,678**	73,502
		167,481	374,987
Current liabilities			
Accruals and other payables		**32,956**	19,245
Receipts in advance and deposits received		**477**	47,041
Amounts due to related companies		**600**	701
Secured bank loan — due within one year		—	27,533
Tax payable		**731**	22,969
		34,764	117,489
Liabilities of disposal group classified as held for sale	*10*	**427,612**	—
		462,376	117,489
Total liabilities		**629,857**	492,476
Total equity and liabilities		**1,524,280**	1,542,452
Net current assets		**602,720**	491,885
Total assets less current liabilities		**1,061,904**	1,424,963

Notes:

1. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new and revised 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 1 January 2008. A summary of the new HKFRSs is set out as below:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented.

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

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

HKFRS (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 23 (Revised)	Borrowing Costs [2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [2]
HKAS 39 (Amendment)	Eligible Hedged Items [3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [2]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments [2]
HKFRS 8	Operating Segments [2]
HK(IFRIC) — Int 9 and HKAS 39 (Amendments)	Embedded Derivatives [4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes [5]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate [2]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation [6]
HK(IFRIC) — Int 17	Distributions of Non-Cash Assets to Owners [3]
HK(IFRIC) — Int 18	Transfers of Assets from Customers [7]

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] Effective for transfers on or after 1 July 2009

The adoption of HKAS 1 (Revised) may result in a change in presentation of the primary statements of the consolidated financial statements. The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Basis of preparation

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

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

Assets of disposal group classified as held for sale are stated at the lower of carrying amounts and fair values less costs to sell.

The Group's books and records are maintained in Hong Kong Dollars ("HK$") as the directors of the Company control and monitor the results and financial position of the Group in HK$.

4. Business and geographical segments

Business segments

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

Principal activities are as follows:

(i)	Distribution	Distribution of films
(ii)	Sub-licensing	Sub-licensing of film rights
(iii)	Sales of financial assets	Sales of financial assets at fair value through profit or loss
(iv)	Property investment	Leasing of rental properties
(v)	Provision of management services	Provision of management services to concierge department of gaming promoters appointed by Macau casinos

Segment information about these businesses for the years ended 31 December 2008 and 2007 is presented below.

Consolidated income statement for the year ended 31 December 2008

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	—	2,000	(962)	18,215	—	19,253	20,826	40,079
Segment results before impairment loss recognised in respect of goodwill	—	2,000	(962)	17,722	—	18,760	(60,395)	(41,635)
Impairment loss recognised in respect of goodwill	—	—	—	(101,965)	—	(101,965)	(40,382)	(142,347)
Segment results	—	2,000	(962)	(84,243)	—	(83,205)	(100,777)	(183,982)
Unallocated corporate income						2,427	1,257	3,684
Unallocated corporate expenses						(26,462)	(25,177)	(51,639)
Loss from operations						(107,240)	(124,697)	(231,937)
Finance costs						(3,350)	(25,289)	(28,639)
Loss before taxation						(110,590)	(149,986)	(260,576)
Taxation						13,854	22,214	36,068
Loss for the year						(96,736)	(127,772)	(224,508)

Consolidated balance sheet at 31 December 2008

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Segment assets	9,559	2,019	—	461,301	1,989	474,868	1,049,412	1,524,280
Liabilities								
Segment liabilities	(722)	—	—	(54,823)	(146,700)	(202,245)	(427,612)	(629,857)

Other segment information for the year ended 31 December 2008

	Continuing operations						Discontinued operations	
	Distribution	**Sub-licensing**	**Sales of financial assets**	**Provision of management services**	**Unallocated**	**Total**	**Property investment**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Capital expenditures	**864**	**—**	**—**	**—**	**376**	**1,240**	**63,359**	**64,599**
Depreciation	**566**	**—**	**—**	**—**	**125**	**691**	**4,342**	**5,033**
Impairment loss recognised	**—**	**—**	**—**	**101,965**	**—**	**101,965**	**40,382**	**142,347**

Consolidated income statement for the year ended 31 December 2007 (Restated)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	—	—	7,722	—	—	7,722	2,917	10,639
Segment results before impairment loss recognised in respect of goodwill	—	—	7,722	—	—	7,722	45,912	53,634
Impairment loss recognised in respect of goodwill	—	—	—	—	—	—	(37,828)	(37,828)
Segment results	—	—	7,722	—	—	7,722	8,084	15,806
Unallocated corporate income						2,922	107,239	110,161
Unallocated corporate expenses						(55,393)	(12,230)	(67,623)
(Loss)/profit from operations						(44,749)	103,093	58,344
Finance costs						—	(19,494)	(19,494)
(Loss)/profit before taxation						(44,749)	83,599	38,850
Taxation						—	(13,156)	(13,156)
(Loss)/profit for the year						(44,749)	70,443	25,694

Consolidated balance sheet at 31 December 2007 (Restated)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Segment assets	5,185	—	—	—	504,731	509,916	1,032,536	1,542,452
Liabilities								
Segment liabilities	(718)	(2,026)	—	—	(30,909)	(33,653)	(458,823)	(492,476)

Other segment information for the year ended 31 December 2007 (Restated)

	Continuing operations						Discontinued operations	
	Distribution	Sub-licensing	Sales of financial assets	Provision of management services	Unallocated	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	5	—	—	—	6	11	121,856	121,867
Depreciation	563	—	—	—	—	563	595	1,158
Impairment loss recognised	—	—	—	—	—	—	37,828	37,828

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 goods and services.

	Turnover		**Segment results**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Continuing operations				
Hong Kong	**1,038**	7,722	**1,038**	7,722
Macau	**18,215**	—	**(84,243)**	—
Discontinued operations				
The PRC	**20,826**	2,917	**(100,777)**	8,084
	40,079	10,639	**(183,982)**	15,806

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

	Segment assets		Segment liabilities		Capital expenditures		Depreciation	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)		(Restated)
Continuing operations								
Hong Kong	**13,548**	509,916	**147,422**	31,627	**1,240**	11	**691**	563
Macau	**461,320**	—	**54,823**	2,026	**—**	—	**—**	—
Discontinued operations								
The PRC	**1,049,412**	1,032,536	**427,612**	458,823	**63,359**	121,856	**4,342**	595
	1,524,280	1,542,452	**629,857**	492,476	**64,599**	121,867	**5,033**	1,158

5. Turnover

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)
Sub-licensing of film rights	**2,000**	—	**—**	—	**2,000**	—
Sales of financial assets at fair value through profit or loss, net *(note)*	**(962)**	7,722	**—**	—	**(962)**	7,722
Rental income	**—**	—	**20,826**	2,917	**20,826**	2,917
Service fee income	**18,215**	—	**—**	—	**18,215**	—
	19,253	7,722	**20,826**	2,917	**40,079**	10,639

Note:

The Group's proceeds from the sales of financial assets at fair value through profit or loss and the corresponding carrying amounts together with the transaction costs were separated into "Turnover" and "Cost of sales" respectively, in prior year's consolidated income statement. During the current year, the Group changed its presentation, as in the opinion of the directors of the Company, it is more appropriate to present the gains or losses from the sales of financial assets at fair value through profit or loss in "Turnover" on a net basis.

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

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Sales of financial assets at fair value through profit or loss	**2,627**	35,822
Cost of financial assets at fair value through profit or loss	**(3,589)**	(28,100)
	(962)	7,722

To conform with the current year's presentation, the carrying amounts of financial assets at fair value through profit or loss disposed of together with the transaction costs for the year ended 31 December 2007 of HK$28,100,000 have been offset against turnover, resulting in the decreases in turnover and cost of sales for that year by the same amount. These changes do not have any impact on the results of the Group in respect of the prior years.

6. Other revenue and other income

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		
Other revenue						
Dividend income from financial assets at fair value through profit or loss	—	78	—	—	—	78
Interest income on bank deposits	**2,427**	2,836	**1,212**	154	**3,639**	2,990
Sundry income	—	8	**45**	129	**45**	137
	2,427	2,922	**1,257**	283	**3,684**	3,205
Other income						
Waiver of secured bank loan interest	—	—	—	106,956	—	106,956

7. (Loss)/profit from operations

(Loss)/profit from operations has been arrived after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000*
Auditors' remuneration	**600**	600	**—**	—	**600**	600
Depreciation of property, plant and equipment	**691**	563	**4,342**	595	**5,033**	1,158
Impairment loss recognised in respect of trade receivables	**—**	9	**—**	—	**—**	9
Loss on disposal of property, plant and equipment	**3**	3	**—**	—	**3**	3
Share-based payment expenses in respect of consultancy services	**985**	6,370	**—**	—	**985**	6,370
Operating lease rentals in respect of rented premises	**1,640**	2,186	**174**	129	**1,814**	2,315
Staff costs including directors' remuneration						
— Salaries	**6,808**	6,787	**4,615**	1,562	**11,423**	8,349
— Contributions to retirement benefit scheme	**143**	114	**—**	—	**143**	114
— Share-based payment expenses	**2,623**	25,912	**—**	—	**2,623**	25,912
	9,574	32,813	**4,615**	1,562	**14,189**	**34,375**

8. Finance costs

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000*
Interest expense on secured bank loan wholly repayable within five years	**—**	—	**25,289**	19,494	**25,289**	19,494
Imputed interest expense on convertible notes	**3,350**	—	**—**	—	**3,350**	—
	3,350	—	**25,289**	19,494	**28,639**	19,494

9. Taxation

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		
Current tax credit	**(13,854)**	—	**—**	—	**(13,854)**	—
Deferred taxation	**—**	—	**(22,214)**	13,156	**(22,214)**	13,156
	(13,854)	—	**(22,214)**	13,156	**(36,068)**	13,156

No provision for Hong Kong Profits Tax, the PRC Corporate Income Tax or Macao Complementary Profits Tax has been made for the year ended 31 December 2008 (2007: nil) as the Group either has no estimated assessable profits or its estimated assessable profits are wholly absorbed by the estimated tax losses brought forward.

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

10. Assets and liabilities of disposal group classified as held for sale and discontinued operations

On 26 November 2008, Riche (BVI) Limited ("Riche"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with Mega Shell Services Limited ("Mega Shell"), a wholly-owned subsidiary of Golife Concepts Holdings Limited ("Golife"), relating to the sale of the entire issued share capital of Shinhan-Golden Faith International Development Limited and World East Investment Limited, both of them are wholly-owned subsidiaries of the Company, to Mega Shell at a consideration of HK$211,466,310 (subject to adjustment). Pursuant to the Agreement, the consideration would be settled by Mega Shell in the following manner: (a) HK$5,581,713 (subject to adjustment) to be paid in cash; (b) HK$5,884,597 by procuring Golife to allot and issue 117,691,940 new shares in Golife credited as fully paid; (c) HK$100,000,000 by procuring Golife to issue a convertible bond; and (d) HK$100,000,000 by procuring Golife to issue a promissory note.

The Agreement was approved by the shareholders at the special general meeting of the Company held on 12 February 2009 and completed on 8 April 2009.

Assets of disposal group classified as held for sale

	2008	2007
	HK$'000	*HK$'000*
Property, plant and equipment	**21,421**	—
Investment properties	**906,960**	—
Inventories	**28,969**	—
Trade receivables	**212**	—
Deposits, prepayments and other receivables	**9,698**	—
Cash and cash equivalents	**82,152**	—
	1,049,412	—

Liabilities of disposal group classified as held for sale

	2008	2007
	HK$'000	*HK$'000*
Accruals and other payables	**13,961**	—
Receipts in advance	**39,470**	—
Secured bank loan	**319,418**	—
Deferred taxation	**54,763**	—
	427,612	—

Analysis of the results of discontinued operations

	2008	2007
	HK$'000	*HK$'000*
Turnover	**20,826**	2,917
Cost of sales	**(7,176)**	(858)
Gross profit	**13,650**	2,059
Other revenue	**1,257**	283
Other income	**—**	106,956
Fair value changes on investment properties	**(74,045)**	43,853
Impairment loss recognised in respect of goodwill	**(40,382)**	(37,828)
Administrative expenses	**(25,177)**	(12,230)
(Loss)/profit from discontinued operations	**(124,697)**	103,093
Finance costs	**(25,289)**	(19,494)
(Loss)/profit before taxation from discontinued operations	**(149,986)**	83,599
Taxation	**22,214**	(13,156)
(Loss)/profit for the year from discontinued operations	**(127,772)**	70,443

11. **(Loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity holders of the Company for the years ended 31 December 2008 and 2007 and the weighted average number of ordinary shares in issue during these years.

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

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
(Loss)/profit for the year attributable to equity holders of the Company		
From continuing operations	**(96,736)**	(44,749)
From discontinued operations	**(127,772)**	70,443
From continuing and discontinued operations	**(224,508)**	25,694

	2008	2007
	'000	*'000*
		(Restated)
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year	**195,187**	102,941

The weighted average number of ordinary shares in issue for the purposes of basic and diluted (loss)/earnings per share has been adjusted to take into the effect of the share consolidations that became effective on 21 May 2007 and 2 May 2008.

Diluted (loss)/earnings per share for the years ended 31 December 2008 and 2007 were the same as the basic (loss)/earnings per share. The Company's outstanding share options and convertible notes were not included in the calculation of diluted (loss)/earnings per share because the effects of the conversion of the Company's outstanding share options and convertible notes were anti-dilutive.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: nil). No interim dividend was paid during the year (2007: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

On 26 November 2008, the Group entered into a conditional sale and purchase agreement relating to the sale of the entire issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and World East Investments Limited ("World East") to Mega Shell Services Limited ("Mega Shell"), a wholly-owned subsidiary of Golife Concepts Holdings Limited ("Golife"), at a consideration of HK$211,466,310 (subject to adjustment). The major assets of Shinhan-Golden and World East are their interests in the registered capital of 北京莎瑪房地產開發有限公司 ("Beijing Shama"). The principal activity of Beijing Shama is property investment. As a result, the assets and liabilities of Shinhan-Golden and World East and their subsidiaries, namely Beijing Shama, Beijing Jianguo Real Estate Development Co., Limited and 上海昇平文化發展有限公司 ("Shanghai Shengping") (collectively the "Disposal Group"), are re-classified as assets and liabilities of disposal group classified as held for sale in the consolidated balance sheet at 31 December 2008. The results of the Disposal Group are presented separately as discontinued operations in the consolidated income statement for the year ended 31 December 2008.

Loss from continuing and discontinued operations for the year ended 31 December 2008 amounted to HK$224,508,000, whereas a profit of HK$25,694,000 was recorded in 2007. The deterioration was mainly attributable to the increase in impairment loss recognised in respect of goodwill of HK$104,519,000 in the current year and the recognition of the one-off gain of HK$106,956,000 arising from bank loan interest waived in 2007.

Results of continuing operations

The turnover for continuing operations increased from HK$7,722,000 in the year ended 31 December 2007 to HK$19,253,000 in the year ended 31 December 2008. Of the total turnover, HK$2,000,000 was generated from sub-licensing of film rights, HK$18,215,000 was generated from provision of management services and a loss of HK$962,000 was incurred by sales of financial assets. The loss from continuing operations deteriorated from HK$44,749,000 in the year ended 31 December 2007 to HK$96,736,000 in the year ended 31 December 2008. Such deterioration was mainly attributable to the recognition of impairment loss in respect of goodwill of HK$101,965,000, which was partly offset by the increase in gross profit of HK$11,038,000, the decrease in administrative expenses of HK$28,931,000 and a tax credit of HK$13,854,000.

Cost of sales for the year ended 31 December 2008 amounted to HK$493,000, which was wholly related to provision of management services. The gross profit margin for provision of management services was 97%. The gross profit margin for sub-licensing of film rights was 100% as the cost of film library had been fully amortised and/or impaired in previous years.

Other revenue decreased from HK$2,922,000 in the year ended 31 December 2007 to HK$2,427,000 in the year ended 31 December 2008. The decrease was mainly attributed to the decrease in interest income on bank deposits resulted from the decrease in the average monthly balance of the Group's cash and cash equivalents as explained below.

At the end of financial year 2008, the directors reassessed the recoverable amount of the cash-generating unit allocated to the goodwill arising from the acquisition of Rich Daily Group Limited ("Rich Daily") with reference to the valuation performed by the independent professional valuers. In the light of the downturn in Macau's VIP gaming, the directors determined that the goodwill should be fully impaired and recognised an impairment loss of HK$101,965,000 in the year ended 31 December 2008.

Administrative expenses (net of depreciation, impairment loss and loss on disposal of property, plant and equipment) amounted to HK$25,768,000 for the year ended 31 December 2008, a 53% decrease from HK$54,818,000 as compared to the correspondence figure for the previous year. The decrease was mainly attributable to the decreases in share-based payment expenses of HK$28,674,000 and consultancy fee of HK$2,541,000, which were partly offset by the surcharge of HK$3,637,000 paid to Inland Revenue Department in relation to the compromise settlement on the Group's offshore income claim.

Finance costs for the year ended 31 December 2008 amounted to HK$3,350,000, representing the imputed interest expense on the convertible notes in an aggregate principal amount of HK$144,000,000 issued in August 2008 for the acquisition of Rich Daily.

During the year ended 31 December 2008, the Group reached a compromise settlement with Inland Revenue Department in settling a tax dispute over the offshore sub-licensing income claim for an amount of HK$12,021,000, which included a surcharge of HK$3,637,000. As a tax provision of HK$22,238,000 had been made in previous years, a tax credit of HK$13,854,000 was recognised.

Results of discontinued operations

The turnover generated from property investment for the year ended 31 December 2008 amounted to HK$20,826,000, a 614% increase from HK$2,917,000 for the previous year. The significant increase was attributable to the commencement of operations of Beijing Shama in late June 2008. The loss for property investment amounted to HK$127,772,000 in the year ended 31 December 2008, whereas a profit of HK$70,443,000 was recorded in 2007. The deterioration was attributable to the recognition of decrease in fair value of investment properties of HK$74,045,000 and impairment loss in respect of goodwill of HK$40,382,000 in 2008, whereas the one-off gain of HK$106,956,000 arising from bank loan interest waived was recognised in 2007.

Cost of sales increased from HK$858,000 in the year ended 31 December 2007 to HK$7,176,000 in the year ended 31 December 2008. The gross profit margin for property investment dropped from 71% in the year ended 31 December 2007 to 66% in the year ended 31 December 2008. The drop in gross profit margin was due to the increase in overhead of Beijing Shama following its soft opening in late June 2008.

Other revenue increased from HK$283,000 in the year ended 31 December 2007 to HK$1,257,000 in the year ended 31 December 2008. The increase was mainly attributed to the increase in interest income on bank deposits resulted from the increase in the average monthly bank balances of Beijing Shama.

Other income for the year ended 31 December 2007 amounted to HK$106,956,000 representing the one-off gain arising from bank loan interest waived by China Merchants Bank.

In the light of the downturn in the Mainland China's property market, the Group recognised a decrease in fair value of investment properties of HK$74,045,000 in the year ended 31 December 2008 with reference to the valuation performed by the independent qualified professional valuers valuing the investment properties at HK$906,960,000 at 31 December 2008.

At the end of financial year 2008, the directors reassessed the recoverable amount of the cash-generating unit allocated to the goodwill arising from the acquisition of Shinhan-Golden with reference to the valuation performed by the independent professional valuers. In the light of the downturn in the Mainland China's property market, the directors determined that the goodwill should be fully impaired and an impairment loss of HK$40,382,000 was recognised in the year ended 31 December 2008.

Administrative expenses (net of depreciation) increased from HK$11,635,000 in the year ended 31 December 2007 to HK$20,835,000 in the year ended 31 December 2008. The increase was mainly attributable to the commencement of operations of Beijing Shama in the second half of 2008.

Finance costs for the year ended 31 December 2008 amounted to HK$25,289,000, a 30% increase as compared to HK$19,494,000 in the year ended 31 December 2007. The increase was attributable to the increase in the average monthly balances of the RMB bank loan for the payment of renovation costs in respect of the investment properties.

A tax credit of HK$22,214,000 was arisen from the transfer of deferred tax to income statement in relation to the recognition of the decrease in fair value of investment properties in the year ended 31 December 2008.

Liquidity and financial resources

During the year ended 31 December 2008, the Group mainly funded its operations through a combination of equity attributable to the Company's equity holders, bank borrowings and convertible notes. Equity attributable to the Company's equity holders at 31 December 2008 amounted to HK$894,423,000 (2007: HK$1,046,080,000).

At 31 December 2008, the cash and cash equivalents of the Group amounted to HK$7,218,000 (2007: HK$531,396,000). The decrease in cash and cash equivalents of the Group was mainly attributable to the cash payment of HK$360,000,000 to Well Will Investment Limited ("Well Will") for the acquisition of Rich Daily and the cash and cash equivalents balances of HK$82,152,000 were re-classified as assets of disposal group classified as held for sale in the consolidated balance sheet.

At 31 December 2008, the total borrowings of the Group amounted to HK$106,403,000 (2007: HK$329,719,000), comprising the advance of HK$600,000 made by China Star Entertainment Limited ("China Star") which is unsecured, interest-free and has no fixed terms of repayment; and the liability component of the convertible notes with an aggregate principal amount of HK$144,000,000 issued to Well Will of HK$105,803,000 which are unsecured, interest bearing at 5% per annum and maturing on 28 August 2018. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 12% (2007: 32%). The improvement in gearing ratio was attributed to the re-classification of bank borrowings as liabilities of disposal group classified as held for sale in the consolidated balance sheet.

At 31 December 2008, the bank borrowings of Beijing Shama amounted to HK$319,418,000 (2007: HK$329,018,000), representing the RMB bank loan which is secured by certain of the investment properties with a fair value of HK$853,835,000, the bank deposits of HK$23,470,000 and a corporate guarantee given by the Company, interest bearing at 110% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within three years.

Net current assets and current ratio

At 31 December 2008, the Group's net current assets and current ratio were HK$602,720,000 (2007: HK$491,885,000) and 2.30 (2007: 5.19) respectively.

Capital structure

To reduce the overall transaction and handling costs for dealing in the Company's shares and allow the Company to declare dividends to its shareholders at an earlier opportunity, the directors proposed the following changes to the capital of the Company (the "Capital Reorganisation") on 19 March 2008:

(a) the consolidation of every ten issued and unissued existing shares of HK$0.10 each in the share capital of the Company into one share of HK$1.00;

(b) immediately after completion of the share consolidation in (a) above, the reduction of the nominal value of all issued and issued shares of HK$1.00 each in the share capital of the Company from HK$1.00 each to HK$0.01 each; and

(c) the cancellation of the entire amount of HK$813,058,000 standing to the credit of the share premium account of the Company at 31 December 2007 by transferring such credit amount to the contributed surplus account of the Company and the application of HK$518,374,000 in the contributed surplus account to set off against the accumulated losses of the Company of HK$518,374,000 at 31 December 2006.

The Capital Reorganisation was approved by the shareholders on 30 April 2008 and became effective on 2 May 2008.

In April 2008, the Company issued 10,009 new shares of HK$0.10 each at an exercise price of HK$0.1146 per share pursuant to the exercise of share options granted to an employee.

On 4 November 2008, the Company entered into a placing agreement with Kingston Securities Limited ("Kingston"). Pursuant to the placing agreement, the Company has conditionally agreed to place through Kingston, on a best effort basis, a maximum of 500,000,000 new shares of HK$0.01 each by a maximum of five tranches to independent investors at a placing price, which must not be lower than 85% or more of the average closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the last 30 consecutive trading days up to and including the date on which the placing price was fixed for such tranche and should not be less than HK$0.05 per share. The placing agreement was approved by the shareholders on 19 December 2008. The first tranche of placing of 200,000,000 new shares at a placing price of HK$0.102 per share was completed on 11 February 2009 and the second tranche of placing of 300,000,000 new shares at a placing price of HK$0.091 per share was completed on 2 March 2009. The net proceeds from the placing of 500,000,000 new shares amounted to HK$46,720,000.

On 29 December 2008, the Company, Classical Statue Limited ("CSL"), a substantial shareholder of the Company, and Kingston entered into a top-up placing agreement relating to the placing of 39,000,000 existing shares of HK$0.01 each held by CSL to not fewer than six placees at a placing price of HK$0.102 per share and the top-up subscription of 39,000,000 new shares by CSL at a subscription price of HK$0.102 per new share. The top-up placing was completed on 9 January 2009 and raised HK$3,820,000 (net of expenses) to the Group.

Material acquisitions and disposals of subsidiaries and associated companies

On 29 May 2008, the Group acquired the remaining 3.3% interest in the registered capital of Beijing Shama from Beijing Urban Development Group Co. Ltd. at a net consideration of RMB84,000 (or HK$95,000), after deducting an amount of RMB4,150,000 (or HK$4,705,000) paid to Beijing Urban Development Group Co. Ltd. by the ex-owner in 1997. The directors believe that the acquisition of the remaining 3.3% interest provides the Group with a better protection on its interest in Beijing Shama and a greater flexibility in managing Beijing Shama.

On 29 August 2008, the Group acquired the entire issued share capital of Rich Daily from Well Will at an initial consideration of HK$504,000,000 (subject to adjustment). The initial consideration was settled by paying HK$360,000,000 in cash and issuing of convertible notes in an aggregate principle amount of HK$144,000,000, with an initial conversion price of HK$1.60 per conversion share. Rich Daily is a management services provider to the concierge departments of gaming promoters in Macau. The monthly service fee earned by Rich Daily is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoters.

On 26 November 2008, the Group entered into a conditional sale and purchase agreement relating to the sale of the entire issued share capital of Shinhan-Golden and World East to Mega Shell at a consideration of HK$211,466,310 (subject to adjustment). On 8 April 2009, the conditional sale and purchased agreement was completed. The adjusted consideration of HK$212,731,827 was settled in the following manner (i) the cash payment of HK$6,847,230, (ii) the issue of 11,769,194 new shares in Golife (adjusted for the capital reorganisation of Golife as completed on 6 April 2009) credited as fully paid at an issue price of HK$0.50 per share, (iii) the issue of a promissory note of HK$100,000,000 by Golife and (iv) the issue of a convertible bond of HK$100,000,000 with an initial conversion price of HK$0.50 per conversion share (subject to adjustment) by Golife. Upon completion of the sale and purchase agreement, the Group holds 20.36% interest in the issued share capital of Golife and Golife is treated as an associated company of the Group for financial reporting purposes. Golife is a company listed on the GEM Board of the Stock Exchange.

Charges on assets

At 31 December 2008, certain of the investment properties with a fair value of HK$853,835,000 and the bank deposits of HK$23,470,000 have been pledged to a bank to secure the RMB bank loan granted to Beijing Shama.

Material commitments

At 31 December 2008, the Group had the following material commitments:

(a) capital expenditures of HK$10,408,000 in respect of the renovation works of the investment properties contracted for but not provided in the consolidated financial statements;

(b) a commitment in respect of acquiring the registered capital of Shanghai Shengping from its owners at a price determined by the valuers in Mainland China when the laws in Mainland China allow foreign investors to own more than 51% interest in the registered capital of Shanghai Shengping; and

(c) an unused revolving facility of up to HK$200,000,000 granted to Best Season Holdings Corp. ("Best Season").

Exchange risk and hedging

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi, the exchange risk of the Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Contingent liabilities

At 31 December 2008, the Group had no material contingent liabilities (2007: nil).

Employees and remuneration policy

At 31 December 2008, the headcount of the Group was 118 (continuing operations: 22; discontinued operations: 96). Staff costs (including directors' remuneration) for continuing and discontinued operations amounted to HK$9,574,000 and HK$4,615,000 respectively in the year ended 31 December 2008. Employees are remunerated according to their performance and work experience. In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

Operations Review

Continuing operations

During the year ended 31 December 2008, the Hong Kong films market remained sluggish and the demand for Hong Kong made-movies in Mainland China, one of the major markets for Hong Kong made-movies, remained weak. The number of films produced by local producers had decreased. As a result, the Group was not able to secure quality films at reasonable prices for distribution. However, the Group has concluded an agreement to sell its film library at HK$2,000,000.

As volatility in equity market remained high in the first three quarters of 2008, the Group carried out a minimal trading in financial assets during the year. Following the outbreak of the global financial crisis, the Group sold all of its financial assets in order to reduce equity price risk.

The Group acquired the entire issued share of Rich Daily at an initial consideration of HK$504,000,000 (subject to adjustment) on 29 August 2008. Rich Daily is a management services provider to the concierge departments of gaming promoters. The monthly service fee earned by Rich Daily is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoters. Following the completion of the acquisition, Rich Daily generates a constant monthly cashflow to the Group. Although Rich Daily experienced a drop in its services fee income in September 2008 resulted from the outbreak of global financial crisis, the monthly service fee income has remained fairly stable in the fourth quarter of 2008. The directors believe that the newly expanded management service business provides the Group with a stable source of revenue and improves the Group's profitability.

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

On 23 December 2008, the Group terminated the proposed acquisition of the entire interest in the issued share capital of Exceptional Gain Profits Limited and a sale loan from China Star as the proposed acquisition had been hinged on the release of security given by China Star relating to Kingsway Hotel Limited to be replaced by security given by the Company. Both the Company and China Star had determined not to keep their shareholders and investors lingering on the status of the proposed acquisition or the proposed disposal, as the case may be, as it has been more than one year since the announcement of the proposed acquisition or the proposed disposal, as the case may be.

Discontinued operations

The soft opening of the Disposal Group's investment properties, namely Shama Luxe Chang An, commenced in late June 2008. During the year ended 31 December 2008, rental income of HK$16,033,000 was generated from short-term leasing in the "Olympic Month — August 2008". The occupancy of Shama Luxe Chang An was 16% during the second half of 2008. The unsatisfactory occupancy was a direct result of weak leasing demand in the second half of 2008. The weaken demand for serviced apartment in Beijing primarily resulted from the negative impact of the global financial crisis which caused a cut in the number of expatriates staff stationed in Beijing by many multinational companies. Beijing Shama is working with the management company to formulate plans to improve the occupancy and the cost structure of Shama Luxe Chang An.

Future Prospects

Given the recent global financial crisis and the depressed state of global economy, the directors forecast a tough 2009 and a persist downturn in global economy for a long period of time. As such, the Directors believe the best strategies for the Group are to (i) restructure its business, (ii) enable the Group to concentrate its resources on provision of management service business, and (iii) improve the Group's gearing ratio. On the other hand, the Group is seeking investment opportunities with attractive prices to diversify its businesses and broaden its revenue base.

Subsequent events

Subsequent to the year-end date, the Group has entered into the following transactions:

(a) On 16 February 2009, the Company and Kingston entered into an underwriting agreement in relation to the open offer of not less than 217,093,498 new shares and not more than 367,093,498 new shares at a subscription price of HK$0.10 per share on the basis of one new share for every two existing shares held by qualifying shareholders on 9 March 2009. The open offer was completed on 30 March 2009 and raised HK$34,339,000 (net of expenses) to the Group.

(b) On 20 February 2009, the directors proposed to reorganise the capital of the Company (the "Proposed Capital Reorganisation") in the following manner:

 (i) share consolidation — that every ten existing issued shares of HK$0.01 each be consolidated into one consolidated issued share of HK$0.10 each (each a "Consolidated Shares"); and

 (ii) capital reduction — that (i) the total number of the Consolidated Shares in the issued share capital of the Company following the share consolidation be rounded down to a whole a number by cancelling the fractional Consolidated Shares arising from the share consolidation; (ii) the paid-up capital of each Consolidated Share be reduced from HK$0.10 to HK$0.01 by cancelling HK$0.09 so as to form a new share of HK$0.01; and (iii) the amount of credit arising from capital reduction be credited to the contributed surplus account of the Company.

 The directors also proposed to change the board lot size for trading in the Company's shares from 5,000 shares to 2,000 shares upon the Proposed Capital Reorganisation becoming effective.

 The Proposed Capital Reorganisation was approved by the shareholders at a special general meeting of the Company held on 22 April 2009 and became effective on 23 April 2009.

(c) On 11 March 2009, the Company entered into a loan agreement with China Star. Pursuant to the loan agreement, the Company has conditionally agreed to make available a loan facility of up to HK$200,000,000 to China Star. Each of the advances made to China Star under the loan facility carries an interest to be accrued at the prime rate per annum as quoted by HSBC. The drawdown of each advance is subject the conditions, among others, that the Company has sufficient fund available to make the advance. Please refer to the Company's circular dated 30 March 2009 for further details of the loan agreement.

 The loan agreement was approved by the independent shareholders at another special general meeting of the Company held on 22 April 2009.

(d) On 18 March 2009, Rich Joy Investments Limited, a wholly-owned subsidiary of the Company, and Best Season entered into a deed of termination to terminate the revolving facility of up to HK$200,000,000 granted to Best Season.

(e) On 8 April 2009, the conditional sale and purchase agreement dated 26 November 2008 entered into between the Group, Mega Shell and Golife relating to the disposal of the entire issued share capital of Shinhan-Golden and World East was completed.

(f) On 23 April 2009, Riche (BVI) Limited, a wholly-owned subsidiary of the Company, gave an irrevocable undertaking in favour of Golife and Kingston relating to the subscription of 94,153,552 offer shares at a subscription price of HK$0.10 per offer share pursuant to an open offer of Golife on basis of eight offer shares for every one existing share held on the record date. The total subscription price for the offer shares is HK$9,415,355, which will be financed by the internal resources of the Group.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2008, except for code provision A.4.1.

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election. However, all the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this code provision.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company. All the members of the Board have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the final results of the Group for the year ended 31 December 2008.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2008.

By Order of the Board
Heung Wah Keung
Chairman

Hong Kong, 23 April 2009

As at the date of this announcement, the Board comprises two executive directors namely, Mr. Heung Wah Keung (Chairman) and Ms. Chen Ming Yin, Tiffany (Vice Chairman) and three independent non-executive directors namely, Mr. Tang Chak Lam, Gilbert, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung