TLT LOTTOTAINMENT GROUP LIMITED
彩娛集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 8022

Annual Report 2010

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors of TLT Lottotainment Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Director(s)”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this report misleading.

Contents

Corporate Profile

TLT Lottotainment Group Limited (the “Company”) is principally engaged in investment holdings. The subsidiaries of the Company (together with the Company, the “Group”) provide lottery-based mobile online game recharge service, internet e-gaming, rendering of travel agent services, entertainment programme production, events organisation, TV-series production and operation of an artist training school during the year under review.

The Company has the following principal subsidiaries:

- TLT Services (Shanghai) Limited*
- Xuzhou China International Travel Service Limited
- Santos Group Entertainment and Advertising Limited
- Macau Talent Academy Limited
- M & M Entertainment International Company Limited
- Shenzhen Caile Technology Limited*

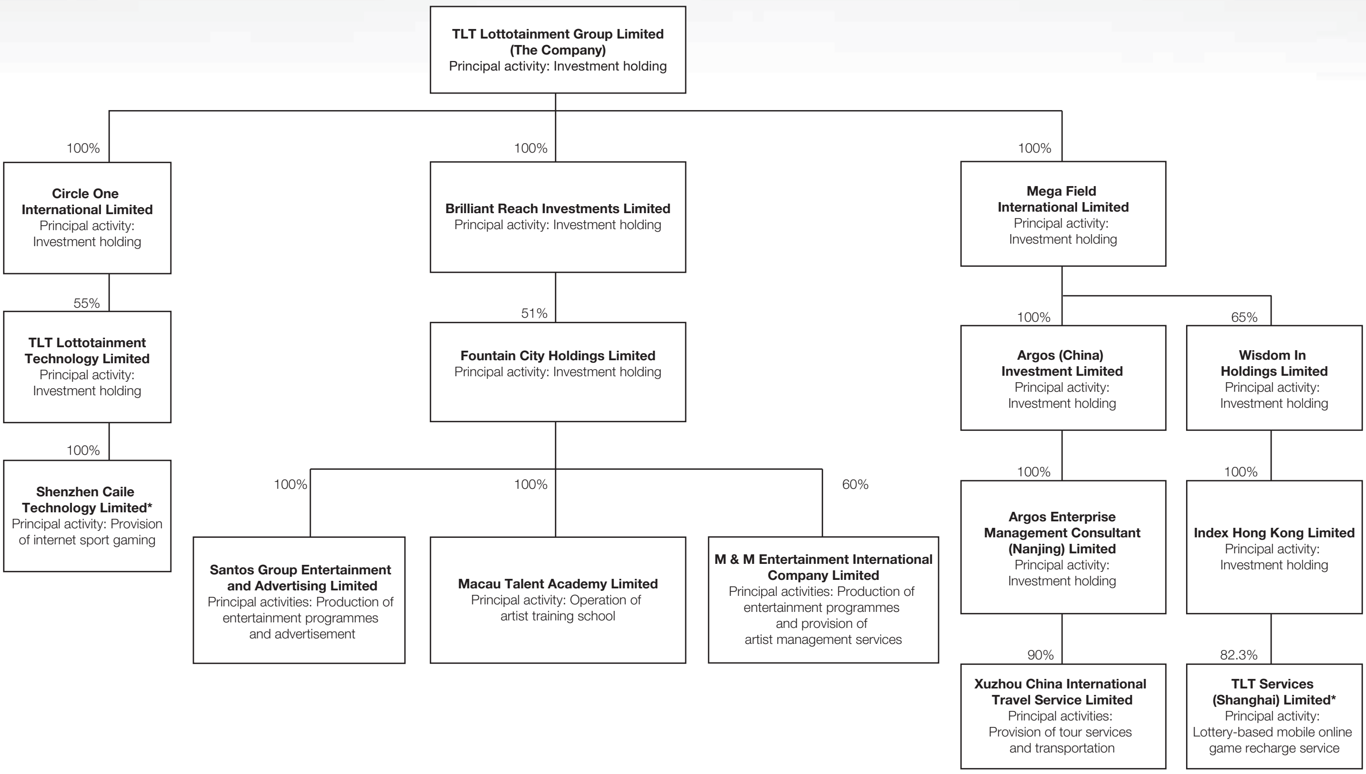
The Group mainly involves in (1) the Mobile Lottery Online (the “MLO”) business which provides e-payment and e-recharge services to mobile lottery subscribers throughout the People’s Republic of China (the “PRC”); (2) Sports Betting Outlets in various cities in the PRC; (3) travel agent services; (4) entertainment programme production and advertising; (5) operation of artist training school in Macau; and (6) artist agency service and programme/event production.

* *For identification purpose only*

Corporate Structure

The following is the organisation structure of the Group (with principal subsidiaries only):

As at 31 December 2010:



* *For identification purpose only*

Corporate Information

DIRECTORS

Executive Directors

Mr. Wong Wai Sing *(Chairman)*
Mr. Cheung Man Yau, Timothy *(Chief Executive Officer)*
Mr. Chan Kin Yip
Mr. Lai Chun Hung

Independent Non-executive Directors

Mr. Fung Wai Shing
Mr. Sung Wai Tak, Herman
Mr. Wong Lit Chor, Alexis

COMPANY SECRETARY

Mr. Tang Man Leong

COMPLIANCE OFFICER

Mr. Cheung Man Yau, Timothy

AUDIT COMMITTEE

Mr. Fung Wai Shing *(Chairman)*
Mr. Sung Wai Tak, Herman
Mr. Wong Lit Chor, Alexis

REMUNERATION COMMITTEE

Mr. Cheung Man Yau, Timothy
Mr. Wong Wai Sing
Mr. Fung Wai Shing
Mr. Sung Wai Tak, Herman
Mr. Wong Lit Chor, Alexis

WEBSITE

www.lottotainment.com.hk

AUDITORS

Ting Ho Kwan & Chan
Certified Public Accountants (Practising)
9th Floor, Tung Ning Building
249–253 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

Room A, 9th Floor
Fortis Tower
77–79 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

8022

Chairman's Statement

On behalf of the board (the "Board") of the Directors, I am pleased to present to the shareholders the Group's annual report for the year ended 31 December 2010.

FINANCIAL HIGHLIGHTS OF 2010 FISCAL YEAR

Turnover of the Group for 2010 was approximately HK$26 million which was increased by 16% as compared to approximately HK$22 million in last year. Compared to a loss for the year of HK$636 million in 2009, a loss for the year of HK$175 million was recorded. Loss per share was approximately 14.72 HK cents, compared to a loss of 81.82 HK cents per share in 2009. The Board does not recommend any dividend payment for 2010.

OVERVIEW FOR 2010 OPERATION AND PROSPECT

The year 2010 is a challenging year to the Group as we are still in the transformation stage. The "lottotainment" business which represents "Lottery and Entertainment" business is still our main development focus following the disposal of the public transportation business in 2009.

The mobile lottery online game recharge and travel agent business continue encountering high market competitiveness and facing governmental policy risk and industrial regulatory risk. Although the disposal income per capita in the PRC increases significantly for the year 2010, the travel agent segment is still under high competitive environment due to low entry barrier and the high growth in operating costs. Following the introduction of nationwide "Regulation on Administration of Lottery" in 2009, the lottery industry in the PRC is under a stage of reform in 2010, of which Sports Lottery Administration Centre has been re-specified certain aspects of lottery operation such as sales channels, prize and pay-out management, lottery ticket issue, fund management, etc. as well as rescheduled certain lottery type and lottery project. This regulatory factor led to the uncertainty in the roll out plan of our mobile lottery recharging business in other provinces that the contracts have been entered into. In order to widen the income base of the Group, we have entered into two cooperation agreements to further develop lottery related value added service website and a sport oriented prediction game website in the PRC. According to the statistic issued by the China Internet Network Information Center, the number of China online users reached a record high of 4.6 billion in 2010 with an annual growth of 29.0% and the revenue of the online game industry was RMB33 billion in 2010 with an annual growth of 21.0%. In considering the continuing growth of online gaming market in PRC, we believe the entering of the co-operation agreements can help the Group to penetrate into the online gaming market and the internet entertainment segment in the PRC.

During the year, the Group further stepped in the entertainment segment in the PRC, Hong Kong and Macau by acquisition of a group of companies which are engaged in entertainment program, events organization, TV-series production and operation of an artist training school in October 2010. 2010 is the milestone for the development of the PRC entertainment segment. The revenue of film entertainment in the PRC reached RMB10 billion in 2010 which has experienced a high-speed growth of 60% comparing with 2009. We expect the revenue of film and entertainment industry in PRC will continue to bloom and flourish in the coming few years, not to mention the prosperous entertainment industry in Macau. We believe the acquisition is a golden opportunity of the Group to strengthen our entertainment business in the region China and Macau.

On behalf of the Board, I would like to express our sincere gratitude to all the Company's stakeholders for your support over the years. With your continued invaluable support, patient and encouragement, we commit to work hard and to maximize benefits of the Company and shareholders as a whole.

Wong Wai Sing
Chairman

Hong Kong, 23 March 2011

Mobile lottery online ("MLO") recharge business

The Group has at present entered into 6 exclusive service agreements with branches of the China Sports Lottery Administration Centre in provinces namely Shandong, Hainan, Qinghai, Gansu, Shaanxi and Hubei to provide e-payment and e-recharge services to lottery-based mobile online game subscribers through the Tanglu Mobile Payment platform (the "TMP platform").

According to the latest statistics issued by the Ministry of Finance of China, the lottery sale in 2010 reached RMB166.2 billion, increased by about 25.5% comparing with 2009 corresponding period. We are optimistic but conservative to the MLO business as remote distribution channel will be the future development of lottery sales in the PRC. Due to the delay in launching certain new mobile lottery online games by the China Sports Lottery Administrative Centre, we have worked closely with the China Sports Lottery Administrative Centre in rescheduling the commencement of our operations in other five provinces of which exclusive service agreements have been entered into. In considering the prospect of China Lottery market, we are optimistic but conservative in the mobile lottery online business as the China Sports Lottery Administrative Centre has not yet fixed the roll-out schedule of MLO in other provinces.

Travel agency operation

The travel industry is still very competitive in the PRC during the year under review. The Group has to face a difficult environment particularly the inflation and the continuous growth in the operating costs. As the annual disposal income per capita is expected to grow in the PRC, we are optimistic in the development of the travel industry.

Sports lottery outlets segment

Benefited by the advancement of telecommunications and live-broadcasting technology, the PRC citizens can now easily enjoy high-quality sports matches and events, no matter at home or outdoor, through TV or remote channel like mobile handset or internet. Nowadays, more and more citizens enjoy to subscribe to the sports betting lottery which can be demonstrated by the latest sale figure issued by the Ministry of Finance of China for the year 2010. According to the statistics, issued, the sports betting lottery sale figure for year 2010 reached RMB14.7 billion, representing an increase of 123.4% when comparing with the sale in 2009. We expect the sale of our sports betting outlets will continue to grow and make contribution to the Group.

Sports oriented prediction game website and lottery related VAS website in the PRC

On 31 May 2010, Shenzhen Caile Technology Limited ("SZ Caile"), a subsidiary of the Group, entered into a cooperation agreement to establish a co-operative relationship in developing and operating a sports-oriented prediction game website in the PRC. Driven by the continuing growth in netizen and the popularity of social networking services in the PRC, it is expected that the online gaming market, especially casual gaming, in the PRC will continue to bloom in the coming years. We consider the entering of the co-operation agreement can step into the online gaming market and further broaden the income base of the Group.

On 1 June 2010, SZ Caile further entered into a co-operation agreement in developing and operating a website which provides lottery information and wireless value added services to lottery subscribers in the PRC. We consider the entering of the agreement can deepen the Group's penetration into lottery market in Mainland China and broaden the income base of the Group.

During the year under review, both co-operation are still in website development stage.

Management Discussion And Analysis

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31 December 2010, the total assets of the Group was approximately HK$70 million (2009: HK$363 million), including cash and bank balances and restricted bank deposits of approximately HK$6 million (2009: HK$13 million). Outstanding balance of bank loans, overdrafts and other loans as at 31 December 2010 was HK$nil (2009: approximately HK$39 million) of which HK$nil (2009: HK$11 million) are due within one year. The gearing ratio of the Group expressed in total debt as a percentage of net assets was nil% (2009: 615%).

Significant Impairment Loss on Intangible Assets

Due to the unexpected delay in launch out of mobile lottery on-line by the China Sports Lottery Administration Centres in other provinces, and the undesirable operating performance of the mobile lottery on-line recharging segment, the Board carried out an assessment of the recoverable amount of intangible assets as at the end of 2010. Based on this assessment, the carrying amount of these intangible assets were impaired by approximately HK$142 million (2009: HK$483 million). The estimates of recoverable amount were assessed based on discounted cashflow method which is performed by an independent valuer.

Charges on Group's Assets

At 31 December 2010, the Company has not pledged any assets (2009: HK$10 million) to secure banking facilities to the Company.

Capital Structure

During the year, there were a total of HK$2,310,000 convertible bonds converted into 3,500,000 ordinary shares; a total of 20,500,000 shares were issued under the exercise of share options; 66,000,000 shares were issued under placing agreement dated 8 September 2010 and 54,166,667 consideration shares were issued.

CAPITAL COMMITMENTS

The details of the capital commitments incurred during the year ended 31 December 2010 are set out in note 39 to the financial statements.

ACQUISITION OF FOUNTAIN CITY HOLDINGS LIMITED

On 22 October 2010, the acquisition of 51% equity interest of Fountain City Holdings Limited ("Fountain City") was completed. Pursuant to the sale and purchase agreement, the total consideration paid for the acquisition of Fountain City was HK$34,500,000, The fair value of the consideration as at completion date is HK$41,812,500. Fountain City owns the entire issued share capital of Santos Group Entertainment and Advertising Limited and Macau Talent Academy Limited, and 60% of the issued share capital of M & M Entertainment International Company Limited and is engaged in business of entertainment programme production, events organization, advertising, tv-series production and operation of an artist and entertainment talent training school in the region of Macau and Southeast Asia.

We consider the acquisition provides a golden opportunity for the Group to penetrate into the entertainment industry of Macau which is considered to be a blooming industry in the coming few years. In addition, Madam Bibi Mariam Maria Cordero, a successful singer and artist in Hong Kong, Macau and Asia, who is well experienced in TV program production and artist training, serves as key management of Fountain City. The Directors are optimistic in the future prospects of the business.

Details of the transaction were disclosed in the Company's announcements dated 15 September 2010, 7 October 2010 and 22 October 2010 respectively.

Management Discussion And Analysis

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations of principal activities for the year ended 31 December 2010 is set out in note 13 to the financial statements.

POST BALANCE SHEET EVENTS

The details of the post balance sheets events are set out in note 43 to the financial statements.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed, the Directors do not have any future plans for material investment or capital assets.

FOREIGN CURRENCY RISK

Since most of the transactions, income and expenditure of the Group are denominated in Hong Kong dollar and Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented.

CONTINGENT LIABILITIES

As at 31 December 2010, the Directors are not aware of any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the Group had 99 (2009: 117) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2010 amounted to approximately HK$17 million (2009: HK$50 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

SHARE OPTION SCHEME

A share option scheme was adopted on 30 July 2001 and amended on 2 December 2008 (the "Share Option Scheme") by the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent. of the shares in the Company in issue from time to time (excluding shares which have been allotted and issued pursuant to the Share Option Scheme).

Details of the movements in the share options granted and exercised during the year ended 31 December 2010 under the Share Option Scheme are disclosed in the section of "Report of Directors".

Corporate Governance Report

CORPORATE GOVERNANCE

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

The Company has applied the Principles as set out in the CG Code that are considered to be relevant to the Company and has complied with the Code Provision of the CG Code during the year ended 31 December 2010 except for the deviations from the Code Provisions A.4.1 and E.1.2 of the CG Code as disclosed in the following paragraphs. Throughout the year, the Company continued to strive for improvement on its corporate governance.

Board Composition and Board Practices

As at 31 December 2010, the Board comprised eight Directors including five Executive Directors, namely Mr. Wong Wai Sing, Mr. Cheung Man Yau, Timothy, Mr. Chan Kin Yip, Mr. Cheng Wing Hong (resigned on 11 February 2011) and Mr. Lai Chun Hung; and three Independent Non-executive Directors, namely Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis.

The Board schedules four meetings a year at approximately quarterly intervals and will be met as necessary. During the year ended 31 December 2010, the Board held 4 regular meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company’s articles of association (the “Articles of Association”).

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company’s expense in discharging their duties to the Company. Moreover, the company secretary of the Company (the “Company Secretary”) prepares minutes and keeps records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also keeps the minutes, which are open for inspection at any reasonable time on reasonable notice by any Director.

Appointment, Re-election and Removal of Directors

According to the Articles of Association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years.

According to the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term of service. None of the Independent Non-Executive Directors have entered into an appointment letter with the Company for a specific term of service but their appointments are subject to retirement by rotation and they shall offer themselves for re-election in accordance with the Articles of Association.

Chairman and Chief Executive Officer

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the year ended 31 December 2010, Mr. Wong Wai Sing acted as the Chairman and Mr. Cheung Man Yau, Timothy acted as the Chief Executive Officer of the Company (the “CEO”). The roles of the Chairman and the CEO are segregated and performed by Mr. Wong Wai Sing and Mr. Cheung Man Yau, Timothy respectively thereon. This segregation ensures a clear distinction between the Chairman’s and the CEO’s responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability. Save as disclosed in the section of “Biographical Details of Directors and Senior Management”, there is no financial, business, family or other material/relevant relationship between the Chairman and the CEO and among the members of the Board.

Corporate Governance Report

Independent Non-executive Directors

The Company has received from each of its Independent Non-executive Directors the written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company, based on such confirmation, considers Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis independent.

Role and Functions of the Board

The Board and the management team are committed to high standards of corporate governance. The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and overseeing management. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates the authority and responsibility for implementing day-to-day operations and management of the Group to Executive Directors and senior management, and certain specific responsibilities to the Board committees. The Board reserves certain key matters for its approval including the Group's long-term strategy, internal control, annual and half-yearly financial results and shareholder communications, etc. Decisions of the Board are communicated to the management through Executive Directors who have attended at board meetings.

When the Board delegates certain aspects of its management functions to the management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances. The final decision still rests with the Board unless otherwise provide for in the terms of reference of relevant committees.

Board of Directors

The primary role of the Board is to protect and enhance long term shareholder value. The Board is responsible for setting overall strategy for the Group and monitoring the performance of the management.

The Board members during the year ended 31 December 2010 and up to the date of this annual report are:

Executive Directors

Mr. Wong Wai Sing *(Chairman)*	*(Re-designated from Non-executive Director to Executive Director on 1 February 2010)*
Mr. Cheung Man Yau, Timothy *(Chief Executive Officer)*	
Mr. Chan Kin Yip	
Mr. Lai Chun Hung	*(Appointed on 8 December 2010)*
Mr. Cheng Wing Hong	*(Resigned on 11 February 2011)*

Independent Non-Executive Directors

Mr. Fung Wai Shing
Mr. Sung Wai Tak, Herman
Mr. Wong Lit Chor, Alexis

Corporate Governance Report

The attendance of Directors at the Board meetings for the year ended 31 December 2010 is set out as follows:

Name of Directors		Attendance of meeting held
Mr. Wong Wai Sing		12/16
Mr. Cheung Man Yau, Timothy		16/16
Mr. Chan Kin Yip		16/16
Mr. Lai Chun Hung	*(Appointed on 8 December 2010)*	1/1
Mr. Cheng Wing Hong	*(Resigned on 11 February 2011)*	15/16
Mr. Fung Wai Shing		7/16
Mr. Sung Wai Tak, Herman		10/16
Mr. Wong Lit Chor, Alexis		12/16

Audit Committee

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee of the Company (the "Audit Committee") are to review and supervise the Group's financial and accounting policies and practices, financial controls, internal controls and risk management systems. During the year ended 31 December 2010, the Audit Committee has performed its duties and review the effectiveness of the internal control system of the Company. The unaudited quarterly and interim together with the audited annual results in respect of the year ended 31 December 2010 have also been reviewed by the Audit Committee.

The Audit Committee currently comprises three Independent Non-executive Directors, namely, Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis. Mr. Fung Wai Shing is the chairman of the Audit Committee and applies his professional qualifications in accounting and financial expertise in directing the Audit Committee.

The attendance of the members of the Audit Committee at Audit Committee meetings for the year ended 31 December 2010 is set out as follows:

Name of Audit Committee Members	Attendance of meeting held
Mr. Fung Wai Shing (Chairman of the Audit Committee)	4/4
Mr. Sung Wai Tak, Herman	4/4
Mr. Wong Lit Chor, Alexis	4/4

Remuneration Committee

The Company has established a remuneration committee on 8 October 2007 with terms of reference no less exacting terms than the CG Code. The principle of the Company's remuneration committee of the Company (the "Remuneration Committee") is to formulate and review the remuneration policies and other remuneration related matters of the Directors and senior management of the Company and to make recommendations to the Board as deemed necessary. During the year ended 31 December 2010, the Remuneration Committee has discussed and formulated the remuneration policies of the Company and determined and reviewed the remuneration of Board members.

The Remuneration Committee currently consists of two Executive Directors, namely Mr. Wong Wai Sing and Mr. Cheung Man Yau, Timothy, and three Independent Non-executive Directors, namely Mr. Sung Wai Tak, Herman, Mr. Wong Lit Chor, Alexis and Mr. Fung Wai Shing.

The attendance of the members of the Remuneration Committee at the Remuneration Committee meetings for the year ended 31 December 2010 is set out as follows:

Name of Remuneration Committee Members	Attendance of meeting held
Mr. Wong Wai Sing	1/1
Mr. Cheung Man Yau, Timothy	1/1
Mr. Fung Wai Shing	1/1
Mr. Sung Wai Tak, Herman	1/1
Mr. Wong Lit Chor, Alexis	1/1

Remuneration Policy for Directors and Senior Management

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the Executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the Executive Directors may receive a discretionary bonus as the Board may recommend. Such amount has to be approved by the Remuneration Committee.

The Company has adopted the Share Option Scheme on 30 July 2001. The purpose of the Share Option Scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

Nomination of Directors

The Board is responsible for considering the suitability of an individual to act as a Director and approving and terminating the appointment of a Director. The Company has not established a nomination committee as to that the Company currently does not have any plans to set up a nomination committee considering the small size of the Board.

During the year, the Chairman and the CEO is responsible for identifying suitable candidates as member of the Board when there is a vacancy or an additional Director is considered necessary and they also propose the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of their qualifications, experiences and background.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in 5.48 to 5.67 of the GEM Listing Rules. The Directors have confirmed, following specific inquiry by the Company, that they have complied with the required standard and code of conduct during the year under review.

Auditors' Remuneration

The Audit Committee is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay any aggregate of approximately HK$320,000 to the external auditors for performing the statutory audit work of 2010 of the Group. There is no non-audit service assignment provided by external auditors during the year.

Corporate Governance Report

Directors' Responsibility for the Financial Statements

The following statement sets out the responsibilities for the Directors in relation to the quarterly, interim and annual financial statements.

Annual Report and Financial Statements

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Financial Reporting Standards as promulgated by the Hong Kong Institute of Certified Public Accountants.

Internal Control

The Board has conducted a review of the effectiveness of the system of internal control of the Group.

Going Concern

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

Code Provision E.1.2

Code E.1.2 specifies that the chairman of the Board should attend the annual general meeting. Mr. Wong Wai Sing, the chairman of the Board, was unable to attend the Company's 2010 annual general meeting held on 4 May 2010 due to urgent business engagement but he has appointed Mr. Cheung Man Yau, Timothy to act as his representative at the said meeting.

Investor Relations and Shareholders' Right

The Company uses a number of formal communications channels to account to shareholders and investors for the performance of the Company. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) key information of the Group available on the website of the Company; and (iv) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circular, notices, and other announcements.

Looking forward

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the CG Code introduced by the Stock Exchange.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Wai Sing ("Mr. Wong"), aged 26, was appointed as the Chairman and a Non-executive Director of the Company on 17 April 2009 and was re-designated to Chairman and Executive Director of the Company on 1 February 2010. He was also a member of the Remuneration Committee. Save as disclosed above, Mr. Wong does not hold any other position with the Company or any of its subsidiaries. Mr. Wong holds a Bachelor of Science degree in International Business from Canterbury University, London and a Master Degree in International Business Administration from Stratford University, USA. Mr. Wong is also an associate member of The Hong Kong Institute of Directors. Mr. Wong is the Chairman and Executive Director of Ming Kei Holdings Limited (formerly known as "Ming Kei Energy Holdings Limited") which is a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange. Save as disclosed above, Mr. Wong does not hold any other directorship in other public companies the securities of which are listed in Hong Kong or overseas in the last three years or other major appointment and qualifications.

Mr. Wong has entered into a service agreement with the Company for a term of three years commencing 17 April 2009. Mr. Wong has re-entered into a new service agreement with the Company for a term of three years on 1 February 2010 and the previous agreement was cancelled accordingly. He is subject to the retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Under the new service agreement, Mr. Wong is entitled to a monthly salary of HK$150,000.00 and a monthly director fee of HK$10,000.00 plus discretionary bonus, which is determined by reference to the prevailing market conditions and his roles and responsibilities in the Company.

Mr. Cheung Man Yau, Timothy ("Mr. Cheung"), aged 53, was appointed as an Independent Non-executive Director on 16 April 2004. Mr. Cheung was re-designated from Independent Non-executive Director and Chairman of the Audit Committee to Executive Director and Chief Executive Officer of the Company with effect from 8 July 2008. He is also a member of the Remuneration Committee. Mr. Cheung is also the director of a number of subsidiaries. Save as disclosed, Mr. Cheung does not hold any other position with the Company or any of its subsidiaries. He is a qualified professional accountant with more than 28 years of extensive experience in finance, audit and accounting fields. He graduated from The University of Hong Kong and had previously worked in a number of international accounting firms and was an independent non-executive director of China Oil and Gas Group Limited, a company listed on the Main Board of the Stock Exchange. Save as disclosed, Mr. Cheung does not hold any other directorship in other public companies the securities of which are listed in Hong Kong or overseas in the last three years or other major appointment and qualifications.

Mr. Cheung has entered into a service agreement with the Company for a term of three years commencing from 1 February 2010 and is subject to the retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Under the new service agreement, Mr. Cheung is entitled to a monthly salary of HK$120,000.00 and a monthly director fee of HK$10,000.00 plus discretionary bonus, which is determined by reference to the prevailing market conditions and his roles and responsibilities in the Company.

Mr. Chan Kin Yip ("Mr. Chan"), aged 38, was appointed an Executive Director on 9 March 2009. Save as disclosed above, Mr. Chan does not hold any other position with the Company or any of its subsidiaries. Mr. Chan graduated from the Hong Kong Polytechnic University with a Bachelor of Arts Degree in Accountancy. Previously, he had worked in an international professional CPA firm and has over 14 years of extensive experience in the fields of assurance, corporate restructuring, internal training and internal control review. He is also an associate member of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Save as disclosed above, Mr. Chan does not hold any other directorship in other public companies the securities of which are listed in Hong Kong or overseas in the last three years or other major appointment and qualifications.

Mr. Chan has entered into a service agreement with the Company for a term of three years commencing from 9 March 2009 and is subject to the retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Mr. Chan is entitled a monthly salary of HK$90,000.00 plus discretionary bonus, which is determined by reference to the prevailing market conditions and his roles and responsibilities to the Company.

Mr. Lai Chun Hung ("Mr. Lai"), aged 32, was appointed an Executive Director on 8 December 2010. Save as disclosed above, Mr. Lai does not hold any other position with the Company or any of its subsidiaries. Mr. Lai was awarded with a Bachelor of Business Administration in Accounting and Finance with honours from the Hong Kong University of Science and Technology in 2000. He has worked in the accounting and financial industries in Hong Kong for more than 10 years, and has considerable experience in auditing, corporate finance and investment. He has held various management positions in a number of companies which provide accounting, financial advisory and investment services. Mr. Lai is currently an independent non-executive director of Soluteck Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Save as disclosed above, Mr. Lai does not hold any other directorship in other public companies the securities of which are listed in Hong Kong or overseas in the last three years or other major appointment and qualifications.

There is no service agreement nor any fixed term of service entered into between the Company and Mr. Lai and he is subject to the retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Mr. Lai is entitled to a monthly director's fee of HK$10,000.00, which is determined by the Board by reference to his experience, performance and prevailing market conditions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sung Wai Tak, Herman ("Mr. Sung"), aged 52, was appointed as an Independent Non-executive Director on 2 January 2001. He is also a member of the Audit Committee and the Remuneration Committee. Save as disclosed above, Mr. Sung does not hold any other position in the Company or any of its subsidiaries. Mr. Sung is a solicitor of the High Court of the Hong Kong Special Administrative Region and the Supreme Court of New South Wales in Australia. Mr. Sung is the director of Tak Sing (Asia) Limited, Prosper Get Investments Limited, Silver Shores Limited and is also appointed as an independent non-executive director of Ming Kei Holdings Limited, a company listed on the GEM Board. Save as disclosed above, Mr. Sung does not hold any other directorship in other public companies the securities of which are listed in Hong Kong or overseas in the last three years or other major appointment and qualifications.

There is no service agreement nor any fixed term of service entered into between Mr. Sung and the Company and he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. The remuneration of Mr. Sung is HK$50,000.00 per annum which is determined by reference to his experience, performance and prevailing market conditions.

Biographical Details of Directors and Senior Management

Mr. Wong Lit Chor, Alexis ("Mr. Wong"), aged 52, was appointed an Independent Non-executive Director on 24 September 2004. He is also a member of the Audit Committee and the Remuneration Committee of the Company. Save as disclosed above, Mr. Wong does not hold any other position in the Company or any of its subsidiaries. Mr. Wong graduated from the University of Toronto, Canada in 1981 with a Bachelor's degree in Arts majoring in economics and commerce. He also holds a Master's degree in Business Administration obtained from the Chinese University of Hong Kong in 1987. He has over 22 years of banking, investment, corporate finance and securities dealing experience gained from working as a senior executive in a number of listed local and PRC financial services companies. He is currently a director and responsible person of Quam Securities Company Limited for Types 1 and 4 regulated activities under the Securities and Futures Ordinance. He is also an independent non-executive director of Inspur International Limited and China Fortune Holdings Limited, which are companies listed on Main Board of the Stock Exchange. He was an independent non-executive director of Wing Hing International (Holdings) Limited, a company listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Wong does not hold any other directorship in other public companies the securities of which are listed in Hong Kong or overseas in the last three years or other major appointment and qualifications.

There is no service agreement nor any fixed term of service entered into between Mr. Wong and the Company and he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. The remuneration of Mr. Wong is HK$50,000.00 per annum which is determined by reference his experience, performance and prevailing market conditions.

Mr. Fung Wai Shing ("Mr. Fung"), aged 41, was appointed as an Independent Non-executive Director and chairman of the Audit Committee of the Company on 12 August 2008. He is also a member of the Remuneration Committee. Save as disclosed above, Mr. Fung has not held any positions with the Company or any of its subsidiaries. He graduated from University of London with bachelor degree in banking and finance. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants with over 13 years experience in finance, auditing and accounting fields. Mr. Fung was the qualified accountant and company secretary of Ko Yo Ecological Agrotech (Group) Limited, a company listed on the GEM, from February 2002 to December 2005. He is currently working as the chief financial officer for a private group. Save as disclosed above, Mr. Fung does not hold any other directorship in other public companies the securities of which are listed in Hong Kong or overseas in the last three years or other major appointment and qualifications.

There is no service agreement nor any fixed term of service entered into between Mr. Fung and the Company and he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. The remuneration of Mr. Fung is HK$50,000.00 per annum which is determined by reference to his experience, performance and prevailing market conditions.

Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in note 20 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 30.

The states of affairs of the Group and of the Company as at 31 December 2010 are set out in the consolidated balance sheet and the balance sheet on pages 32 to 34 respectively.

The cash flows of the Group are set out in the consolidated statement of cash flows on pages 36 to 37.

DIVIDENDS

The directors do not recommend any payment of dividend nor transfer of any amount to reserves for the year (2009: Nil).

Report of the Directors

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**25,674**	118,493	185,213	185,069	156,160
(Loss)/profit before taxation	**(214,984)**	(764,466)	(70,154)	(12,699)	4,256
Gain on disposal of discontinued operations	**–**	3,110	–	–	–
Taxation	**39,837**	125,238	–	(277)	(2,130)
(Loss)/profit before non-controlling interests	**(175,147)**	(636,118)	(70,154)	(12,976)	2,126
Net (loss)/profit from ordinary activities					
attributable to shareholders	**(101,335)**	(387,060)	(48,262)	(9,119)	(94)
attributable to non-controlling interests	**(73,812)**	(249,058)	(21,892)	(3,857)	2,220

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**69,235**	362,943	225,108	213,219	173,745
Total liabilities	**(234,786)**	(356,610)	(203,967)	(137,553)	(94,189)
Non-controlling interests	**21,047**	(53,153)	(6,270)	(25,548)	(24,800)
Shareholders funds	**(144,504)**	(46,820)	14,871	50,118	54,756

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company has no distributable reserve calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

CONVERTIBLE BONDS, PROMISSORY NOTES AND SHARE CAPITAL

Detail of movements in the Company's convertible bonds, promissory notes and share capital during the year are set out in notes 29, 30 and 32 respectively to the financial statements.

DONATIONS

No charitable donations was made by the Group during the year (2009: Nil).

DIRECTORS

The Directors during the financial year and up to the date of this report are:

Executive Directors

Mr. Wong Wai Sing *(Chairman)*	*(Re-designated from Non-Executive Director to Executive Director on 1 February 2010)*
Mr. Cheung Man Yau, Timothy *(Chief Executive Officer)*	
Mr. Chan Kin Yip	
Mr. Lai Chun Hung	*(Appointed on 8 December 2010)*
Mr. Cheng Wing Hong	*(Resigned on 11 February 2011)*

Independent Non-executive Directors

Mr. Fung Wai Shing
Mr. Sung Wai Tak, Herman
Mr. Wong Lit Chor, Alexis

In accordance with the Article 121 of the Articles of Association, Mr. Chan Kin Yip and Mr. Fung Wai Shing shall retire by rotation at the annual general meeting and, being eligible, offer himself for re-election.

In accordance with the Article 101 of the Articles of Association, Mr. Lai Chun Hung shall retire by rotation at the annual general meeting and, being eligible, offer himself for re-election.

None of the Directors has a service agreement with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 17 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the foregoing, no other contracts of significance in relation to the Group's business to which the Company, any of its holding companies or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the following Directors or chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Name of Director	Capacity/nature of interests	Number of ordinary share(s) held	Number of underlying share(s) held	Approximate of aggregate percentage of the Company's issued share capital
Mr. Wong Wai Sing	Interest of Corporation Controlled	350,000 *(Note 1)*	–	0.04%
Mr. Cheung Man Yau, Timothy	Beneficial Owner	–	6,500,000 *(Note 2)*	0.82%
Mr. Chan Kin Yip	Beneficial Owner	1,000,000	5,000,000 *(Note 2)*	0.75%
Mr. Cheng Wing Hong *(resigned on 11 February 2011)*	Beneficial Owner	–	2,000,000 *(Note 2)*	0.25%
Mr. Sung Wai Tak, Herman	Beneficial Owner	–	500,000 *(Note 2)*	0.06%
Mr. Wong Lit Chor, Alexis	Beneficial Owner	–	500,000 *(Note 2)*	0.06%
Mr. Fung Wai Shing	Beneficial Owner	–	500,000 *(Note 2)*	0.06%

Notes:

1. These 350,000 shares are held by Shiny Galaxy Enterprises Limited which is wholly and beneficially owned by Mr. Wong Wai Sing. By virtue of Part XV of the SFO, Mr. Wong Wai Sing is deemed to be interested in these 350,000 shares.

2. The share options of the Company have been granted to Directors and employees on 29 June 2009 and 4 June 2010 and outstanding as at 31 December 2010.

All the interests disclosed above represent long position in the shares.

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and 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, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Share Option Scheme was adopted on 30 July 2001 and amended on 2 December 2008 by the shareholders of the Company. The purpose of the Share Option Scheme is to enable the Company to grant Options to the Participants (as defined below) as incentives and rewards for their contribution to the Company or its subsidiaries.

Participants under the Share Option Scheme include any employee or consultant, advisor, agent, contractor, client or supplier of the Company or any of its subsidiaries who is in the sole opinion of the Board has contributed or is expected to contribute to the Group. The principal terms of the Share Option Scheme are summarized as follow:

The Share Option Scheme was adopted for a period of 10 years commencing from 30 July 2001 and will remain in force until 29 July 2011. The Company may by ordinary resolution in general meeting or such date as the Board shall determine, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The subscription price shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

(i) the nominal value of the shares;

(ii) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; and

(iii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant. The exercise period of any option granted under the share option scheme must not be less than three years and not more than ten years commencing on the date of grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares of the Company in issue as at the date of listing of shares on the Stock Exchange. The Company may seek approval by shareholders at general meeting to refresh the 10% limit (the "10% Limit"). However, the total number of Shares available for issue under exercise of options which may be granted under the Share Option Scheme in these circumstances much not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshing of the 10% Limit;

The maximum number of shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes must not in aggregate exceed 30% of the shares of the Company in issue from time to time. As at the date of this report, a total of 39,000,000 share options have been granted under the 10% Limit and the outstanding number of options available for issue under the aforesaid 10% Limit of the Share Option Scheme is 26,575,757, representing approximately 2.78% of the issued share capital of the Company.

Any grant of options to a connected person (as defined in the GEM Listing Rules) must be approved by all Independent Non-executive Directors (excluding any Independent Non-executive Director who is the proposed grantee). Where options are proposed to be granted to a connected person who is also a substantial shareholder (as defined in the GEM Listing Rules) of the Company or an Independent Non-executive Director or any of their respective associates, and the proposed grant of options, when aggregated the options already granted to such connected person in the past 12 months period, would entitle that person to receive more than 0.1% of the total issued shares of the Company for the time being and the value of which is in excess of HK$5,000,000, then the proposed grant must be subject to the approval of the shareholders at the general meeting. Apart from the connected person involved, all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant).

As the Share Option Scheme is due to expire on 29 July 2011, the Company proposed to terminate the existing Share Option Scheme and adopt a new scheme. An ordinary resolution will be proposed at the forthcoming AGM to approve the termination of the existing Share Option Scheme and the adoption of the new scheme.

Details of the movements in the share options granted to various Directors and employees of the Group and exercised during the year ended 31 December 2010 under the share option scheme are as follows:

Name or category	Date of grant	Vesting period	Exercisable period	Subscription price per share of the Company	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2010
Directors										
Mr. Cheung Man Yau, Timothy	04/06/2010*	–	04/06/2010 to 03/06/2020	HK$0.34	–	6,500,000	–	–	–	6,500,000
Mr. Chan Kin Yip	29/06/2009	–	29/06/2009 to 28/06/2019	HK$0.614	3,000,000	–	–	–	–	3,000,000
	04/06/2010*	–	04/06/2010 to 03/06/2020	HK$0.34	–	3,000,000	(1,000,000)	–	–	2,000,000
Mr. Cheng Wing Hong (resigned on 11 February 2011)	29/06/2009	–	29/06/2009 to 28/06/2019	HK$0.614	1,500,000	–	–	–	–	1,500,000
	04/06/2010*	–	04/06/2010 to 03/06/2020	HK$0.34	–	1,000,000	(500,000)	–	–	500,000
Mr. Sung Wai Tak, Herman	29/06/2009	–	29/06/2009 to 28/06/2019	HK$0.614	500,000	–	–	–	–	500,000
Mr. Wong Lit Chor, Alexis	29/06/2009	–	29/06/2009 to 28/06/2019	HK$0.614	500,000	–	–	–	–	500,000
Mr. Fung Wai Shing	29/06/2009	–	29/06/2009 to 28/06/2019	HK$0.614	500,000	–	–	–	–	500,000
Other Employees	29/06/2009	–	29/06/2009 to 28/06/2019	HK$0.614	3,800,000	–	–	–	–	3,800,000
	04/06/2010*	–	04/06/2010 to 03/06/2020	HK$0.34	–	28,500,000	(19,000,000)	–	–	9,500,000
In aggregate					9,800,000	39,000,000	(20,500,000)	–	–	28,300,000

* The closing price immediately before the date of grant was HK$0.34.

Information on the accounting policy for share options granted and the weighted average value per share is provided in note 34 to the financial statements.

CONVERTIBLE BONDS

As at 1 January 2010, there were HK$150,310,000 convertible bonds outstanding. During the year ended 31 December 2010, an aggregate principal amount of HK$2,310,000 of the convertible bond has been converted into 3,500,000 ordinary shares of the Company while a total of HK$148,000,000 convertible bonds were cancelled. As at 31 December 2010, there were no outstanding of convertible bonds.

Details of the convertible bonds have been published on the Company's announcements dated 15 October 2008, 26 November 2008 and 9 March 2010 and the Company's circular dated 5 November 2008.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme referred to above, at no time during the year ended 31 December 2010 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 31 December 2010, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person or corporation who had interests in the shares, underlying shares and debentures of the Company 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 was, 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 members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity and nature of interests	Number of ordinary Shares held	Percentage of the Company's issued share capital
Mr. Luk Wing Kwong Quintin	Beneficial Owner	100,306,000	12.59%

All the interests disclosed above represent long position in the shares.

Save as disclosed above, as at 31 December 2010, the Directors or chief executives of the Company were not aware of any party who had an interest or short position in the shares, underlying shares or debentures of the Company 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 is, 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 the Company, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company had maintained the public float as required under the GEM Listing Rules.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year ended 31 December 2010, there were no transactions which need to be disclosed as connected in accordance with the requirements of the GEM Listing Rules.

The material related party transactions of the Group are disclosed in note 40 to the financial statements.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 8 and 9 to the financial statements respectively.

REMUNERATION POLICY

The Remuneration Committee is set up on 8 October 2007 for reviewing the remuneration policies and other remuneration related matters of the Directors and senior management of the Company and making recommendations to the Board as deemed necessary.

The Company has adopted the Share Option Scheme as incentive to directors of the Group and eligible employees, details of the Share Option Scheme are set out in note 34 to the financial statements.

Details of the remuneration policy of the Company are set out in the "Corporate Governance Report".

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the five largest customers combined and the five largest suppliers combined are less than 30% of the Group's total turnover and purchases, respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 22 October 2010, 54,166,677 consideration shares were issued to Diwang Limited at an issue price of HK$0.495 (being the market price as at completion date) per consideration shares. On 13 September 2010, 66,000,000 shares were issued at a price of HK$0.30 per placing shares by way of top-up placing. Save as these, during the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

COMPETING INTERESTS

As at 31 December 2010, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

COMPLIANCE ADVISER'S INTERESTS

Pursuant to the agreement dated 26 June 2008 entered into between the Company and GF Capital (Hong Kong) Limited ("GF Capital"), GF Capital has received a fee for acting as the Company's compliance adviser commenced on 30 June 2008, the date on which the trading in shares of the Company were resumed, and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing from the date of the appointment of compliance adviser.

Neither GF Capital nor its director or employees or associates had any interests in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company as at 31 December 2010.

AUDITORS

The financial statements of the Company for the years ended 31 December 2008 and 2009 were audited by Messrs. CCIF CPA Limited while Messrs. Ting Ho Kwan & Chan audited the financial statements of the Company for the year ended 31 December 2010. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Ting Ho Kwan & Chan as auditors of the Company.

On Behalf of the Board
Cheung Man Yau, Timothy
Executive Director & Chief Executive Officer

Hong Kong, 23 March 2011

Independent Auditor's Report

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

丁何關陳會計師行
香港德輔道中249-253號
東寧大廈9字樓

TO THE SHAREHOLDERS OF TLT LOTTOTAINMENT GROUP LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of TLT Lottotainment Group Limited (the "Company") set out on pages 30 to 112, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances as to whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to the following issue:

As reported in note 2(b) to the consolidated financial statements, the Group incurred a consolidated net loss from operations attributable to the equity shareholders of the Company of approximately HK$101,335,000 for the year ended 31 December 2010, had consolidated net current liabilities of approximately HK$27,708,000 and net liabilities of HK$165,551,000 as at 31 December 2010. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which has taken into account the success of the restructuring of the existing promissory note, and is dependent on the continuing financial support from a substantial shareholder and a director of the Group in order to finance the Group's future working capital, and the Group's ability to obtain new working capital from the prospective investors to generate cash flows from its continuing operations in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to obtain such financial support and working capital. We consider that adequate disclosures have been made.

Ting Ho Kwan & Chan
Certified Public Accountants (Practising)

Hong Kong, 23 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations			
Turnover	4 & 13	**25,674**	22,113
Cost of service		**(23,212)**	(18,636)
Gross profit		**2,462**	3,477
Other income and gain, net	5	**21,335**	99
Operating and administrative expenses		**(34,862)**	(34,081)
Amortisation of intangible assets	16	**(36,398)**	(137,025)
Impairment loss on intangible assets	16	**(142,292)**	(483,375)
Impairment loss on goodwill	17	**–**	(55,010)
Loss from operations		**(189,755)**	(705,915)
Finance costs	6(a)	**(25,229)**	(57,465)
Loss before taxation	6	**(214,984)**	(763,380)
Taxation	7	**39,837**	127,640
Loss after taxation from continuing operations		**(175,147)**	(635,740)
Discontinued operations			
Loss from discontinued operations	11	**–**	(378)
Loss for the year		**(175,147)**	(636,118)
Attributable to:			
Equity shareholders of the Company		**(101,335)**	(387,060)
Non-controlling interests		**(73,812)**	(249,058)
Loss for the year		**(175,147)**	(636,118)
Loss per share	12		
From continuing and discontinued operations			
Basic		**(14.72 cents)**	(81.82 cents)
Diluted		**(14.72 cents)**	(81.82 cents)
From continuing operations			
Basic		**(14.72 cents)**	(81.74 cents)
Diluted		**(14.72 cents)**	(81.74 cents)
From discontinued operations			
Basic		**–**	(0.08 cents)
Diluted		**–**	(0.08 cents)

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Loss for the year	**(175,147)**	(636,118)
Other comprehensive expenses for the year (after tax and reclassification adjustment)		
Exchange differences on translation of overseas financial statements of subsidiaries	**(713)**	(7,881)
Reserves released upon disposal of discontinued operations	**–**	(19,142)
Other comprehensive expenses for the year	**(713)**	(27,023)
Total comprehensive expenses for the year	**(175,860)**	(663,141)
Attributable to:		
Equity shareholders of the Company	**(101,898)**	(407,709)
Non-controlling interests	**(73,962)**	(255,432)
Total comprehensive expenses for the year	**(175,860)**	(663,141)

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	14	**3,193**	5,917
Prepaid lease payments	15	**–**	794
Intangible assets	16	**8,832**	186,717
Goodwill	17	**25,235**	–
Derivative financial instruments	18	**16,817**	–
Deposit for acquisition of exclusive operating licenses	19	**–**	148,000
		54,077	341,428
Current assets			
Inventories	21	**18**	1
Trade and other receivables	22	**9,444**	8,095
Restricted bank deposits	23	**1,647**	10,000
Cash and cash equivalents	24	**4,049**	3,419
		15,158	21,515
Current liabilities			
Bank overdrafts	25	**–**	10,511
Trade and other payables	26	**42,866**	9,232
		(42,866)	(19,743)
Net current (liabilities)/assets		**(27,708)**	1,772
Total assets less current liabilities		**26,369**	343,200
Non-current liabilities			
Interest-bearing loan	27	**–**	28,460
Other long-term payables	28	**36,211**	25,968
Convertible bonds	29	**–**	110,254
Promissory notes	30	**155,048**	131,687
Deferred tax liabilities	31	**661**	40,498
		(191,920)	(336,867)
NET (LIABILITIES)/ASSETS		**(165,551)**	6,333

Consolidated Balance Sheet

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
CAPITAL AND RESERVES	*32*		
Share capital		**7,964**	6,523
Reserves		**(152,468)**	(53,343)
Total equity attributable to equity shareholders of the Company		**(144,504)**	(46,820)
Non-controlling interests		**(21,047)**	53,153
TOTAL EQUITY		**(165,551)**	6,333

Approved and authorised for issue by the board of directors on 23 March 2011.

Wong Wai Sing
Director

Cheung Man Yau, Timothy
Director

The accompanying notes form part of these financial statements.

Balance Sheet

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	*14*	**209**	245
Interests in subsidiaries	*20*	**46,261**	265,872
		46,470	266,117
Current assets			
Other receivables	*22*	**6**	–
Restricted bank deposits	*23*	**–**	10,000
Cash and cash equivalents	*24*	**778**	1
		784	10,001
Current liabilities			
Bank overdrafts	*25*	**–**	10,511
Other payables	*26*	**13,358**	2,213
		(13,358)	(12,724)
Net current liabilities		**(12,574)**	(2,723)
Total assets less current liabilities		**33,896**	263,394
Non-current liabilities			
Other long-term payables	*28*	**–**	13,353
Convertible bonds	*29*	**–**	110,254
Promissory notes	*30*	**155,048**	131,687
		(155,048)	(255,294)
NET (LIABILITIES)/ASSETS		**(121,152)**	8,100
EQUITY AND RESERVES	*32(a)*		
Share capital	*32(b)*	**7,964**	6,523
Reserves		**(129,116)**	1,577
TOTAL EQUITY		**(121,152)**	8,100

Approved and authorised for issue by the board of directors on 23 March 2011.

Wong Wai Sing	**Cheung Man Yau, Timothy**
Director	*Director*

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity shareholders of the Company												
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Convertible bond reserve HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009	2,160	36,472	(490)	14,253	3,227	306	–	–	–	(41,057)	14,871	6,270	21,141
Loss for the year	–	–	–	–	–	–	–	–	–	(387,060)	(387,060)	(249,058)	(636,118)
Exchange differences on translation of overseas financial statements of subsidiaries	–	–	–	(4,216)	–	–	–	–	–	–	(4,216)	(3,665)	(7,881)
Disposal of discontinued operations	–	–	490	(13,749)	(3,174)	–	–	–		–	(16,433)	(2,709)	(19,142)
Total comprehensive income/ (expenses) for the year	–	–	490	(17,965)	(3,174)	–	–	–	–	(387,060)	(407,709)	(255,432)	(663,141)
Shares issued upon conversion of convertible bonds	3,923	266,177	–	–	–	–	(94,776)	–	–	–	175,324	–	175,324
Acquisition of subsidiaries	–	–	–	360	–	–	–	–	–	–	360	236,777	237,137
Deemed contribution from non-controlling interests	–	–	–	–	–	–	–	–		–	–	65,538	65,538
Issuance of convertible bonds	–	–	–	–	–	–	149,802	–	–	–	149,802	–	149,802
Asset revaluation reserve released through disposal of discontinued operations	–	–	–	–	–	(211)	–	–	–	211	–	–	–
Shares issued for acquisition of subsidiaries	440	17,600	–	–	–	–	–	–	–	–	18,040	–	18,040
Recognition of share-based payment transaction	–	–	–	–	–	–	–	2,492	–	–	2,492	–	2,492
At 31 December 2009 and 1 January 2010	6,523	320,249	–	(3,352)	53	95	55,026	2,492	–	(427,906)	(46,820)	53,153	6,333
Loss for the year	–	–	–	–	–	–	–	–	–	(101,335)	(101,335)	(73,812)	(175,147)
Exchange differences on translation of overseas financial statements of subsidiaries	–	–	–	(563)	–	–	–	–	–	–	(563)	(150)	(713)
Total comprehensive expenses for the year	–	–	–	(563)	–	–	–	–	–	(101,335)	(101,898)	(73,962)	(175,860)
Shares issued upon conversion of convertible bonds	35	2,576	–	–	–	–	(846)	–	–	–	1,765	–	1,765
Issue of placing shares	660	19,140	–	–	–	–	–	–	–	–	19,800	–	19,800
Shares issue costs	–	(526)	–	–	–	–	–	–	–	–	(526)	–	(526)
Non-controlling interests arising from acquisition of subsidiary	–	–	–	–	–	–	–	–	–	–	–	(194)	(194)
Asset revaluation reserve released upon disposal of property, plant and equipment	–	–	–	–	–	(95)	–	–	–	95	–	–	–
Deemed contribution from non-controlling interests	–	–	–	–	–	–	–	–	44	–	44	(44)	–
Shares issued upon exercise of share options	205	8,620	–	–	–	–	–	(1,855)	–	–	6,970	–	6,970
Shares issued for acquisition of subsidiaries	541	26,271	–	–	–	–	–	–	–	–	26,812	–	26,812
Cancellation of convertible bonds	–	–	–	–	–	–	(54,180)	–	–	–	(54,180)	–	(54,180)
Recognition of share-based payment transaction	–	–	–	–	–	–	–	3,529	–	–	3,529	–	3,529
At 31 December 2010	7,964	376,330	–	(3,915)	53	–	–	4,166	44	(529,146)	(144,504)	(21,047)	(165,551)

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Operating activities			
Loss before taxation			
From continuing operations		**(214,984)**	(763,380)
From discontinued operations		**–**	(1,086)
Adjustments for:			
Depreciation	*6(c)*	**1,334**	13,434
Written off of property, plant and equipment		**5**	–
Impairment loss on property, plant and equipment	*6(c)*	**–**	109
Impairment loss on available-for-sale financial assets	*6(c)*	**–**	378
Impairment loss on intangible assets		**142,292**	483,375
Impairment loss on goodwill		**–**	55,010
Reversal of impairment loss of other receivables		**–**	(3,776)
Amortisation of prepaid lease payments	*6(c)*	**18**	65
Amortisation of intangible assets		**36,398**	137,025
Loss on disposal of property, plant and equipment		**1,360**	379
Gain on cancellation of convertible bonds	*5*	**(17,892)**	–
Gain on waiver of interest payable	*5*	**(1,439)**	–
Government grants for purchase of motor vehicles		**–**	(1,698)
Equity-settled share-based payment expenses		**3,529**	2,492
Interest income	*5*	**(6)**	(258)
Finance costs	*6(a)*	**25,229**	57,950
Operating loss before changes in working capital		**(24,156)**	(19,981)
Increase in inventories		**(17)**	(139)
Decrease in trade and other receivables		**(661)**	(22,396)
Increase in trade and other payables		**16,370**	34,214
Increase in receipts in advance		**–**	5,772
Cash used in operations		**(8,464)**	(2,530)
Tax paid			
PRC Enterprise Income Tax		**–**	(2,402)
Net cash used in operating activities		**(8,464)**	(4,932)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Investing activities			
Payment for purchase of property, plant and equipment		**(573)**	(20,532)
Proceeds from disposal of property, plant and equipment		**737**	32
Proceeds from disposal of prepaid lease payments		**776**	–
Payment for purchase of intangible assets		**(643)**	(2,344)
Interest received		**6**	258
Disposal of discontinued operations, net outflow of cash		**–**	(34,990)
Acquisition of subsidiaries, net inflow of cash		**(14,887)**	1,018
Net cash used in investing activities		**(14,584)**	(56,558)
Financing activities			
Proceeds from new bank loans		**–**	26,644
Repayment of bank loans		**–**	(14,966)
Proceeds from interest-bearing loan		**–**	39,176
Repayment of interest-bearing loan		**–**	(11,405)
Proceeds from issuance of shares, net of share issue costs		**26,244**	–
Decrease in restricted bank deposits		**8,353**	–
Interest paid		**(525)**	(1,584)
Net cash generated from financing activities		**34,072**	37,865
Net increase/(decrease) in cash and cash equivalents		**11,024**	(23,625)
Cash and cash equivalents at 1 January	*24*	**(7,092)**	16,181
Effect of foreign exchange rate changes		**117**	352
Cash and cash equivalents at 31 December	*24*	**4,049**	(7,092)

The accompanying notes form part of these financial statements.

1. GENERAL INFORMATION

The Company was incorporated and registered in Hong Kong on 13 October 2000. The shares of the Company are listed on the GEM of the Stock Exchange. The address of the registered office and principal place of business of the Company are at Room A, 9th Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong and Hong Kong respectively.

The Company is an investment holding company. Its subsidiaries are principally engaged in investment holding, and the provision of lottery-based mobile online game recharging service and tourist routes and tour related service. The newly accquired subsidiaries are principally engaged in entertainment progamme production and advertising, operation of artist training school and provision of artist agency services. Other than the entertainment programme production and advertising business, the other newly acquired subsidiaries have not commenced their business since their incorporation.

The consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int"s) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting polices set out below.

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 41.

In preparing the consolidated financial statements, the directors have considered the future liquidity of the Group in view of its net current liabilities position as at 31 December 2010. The Group incurred a consolidated net loss from operations attributable to equity shareholders of the Company of approximately HK$101,335,000 for the year ended 31 December 2010, and had consolidated net current liabilities of approximately HK$27,708,000 and net liabilities of approximately HK$165,551,000 as at 31 December 2010. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realize its assets and discharge its liabilities in the normal course of business, Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

(i) The carrying amount of promissory note of approximately HK$155,048,000 was outstanding at 31 December 2010 and is payable on 8 January 2012. A restructuring agreement has been entered into with the promissory note holder that (i) a principal amount of HK$61,855,670 will be early repaid by way of issue of convertible notes in an aggregate principal amount of HK$60,000,000 and (ii) the remaining principal amount will be settled by way of issue another new promissory note with the maturity date extended from 8 January 2012 to 8 January 2013, Details of the restructuring are announced by the Company on 15 February 2011;

(ii) The Company has completed two placements of new shares on 6 January 2011 and 25 January of 2011 and the total proceeds of approximately HK$47,720,000 were received from investors. In addition to the above, the Group has been actively discussing with prospective investors to obtain new working capital;

(iii) The Company's substantial shareholder and a director have agreed to provide financial support as is necessary to enable the Group to meet its liabilities as they fall due; and

(iv) Based on a cash flow forecast prepared by the Group's management for the twelve months ending 31 December 2012, the Group will be able to generate adequate cash flows from its continuing operations.

Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2010 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those equity interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between the non-controlling interests and the equity shareholders of the Company. Loans from equity holders of non-controlling interests and other contractual obligations towards these equity holders are presented as financial liabilities in the consolidated balance sheet.

Changes in the Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(t)(vii) and 2(t)(viii).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(j)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(t)(vii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(t)(viii). When these investments are derecognised or impaired (see note 2(j)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the item being hedged.

(g) Other property, plant and equipment

The building component of leasehold properties held for own use is stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

The other items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)).

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other property, plant and equipment (Continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.

–	Furniture, fixtures and equipment	5 years
–	Motor vehicles	10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(v)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Exclusive operating licenses	5 years
–	TMP platform	5 years
–	Travel agent licenses	10 years
–	Taxi licenses	8 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: (see note 2(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses to equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- prepaid lease payments classified as being held under an operating lease;
- intangible assets;
- investments in subsidiaries; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. 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 assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss 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 profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and 2(j)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unlisted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Convertible bonds

Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bond is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds reserve until either the note is converted or redeemed.

If the bond is converted, the convertible bond reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible bond reserve is released directly to retained profits.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using a Black-Scholes Option Model, taking into accounts the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits/accumulated losses).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset 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 the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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 trade and other payables. 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 profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from lottery-based mobile online game recharging services

Revenue from lottery-based mobile online game recharging services is recognised when the related services are provided.

(ii) Revenue from public route, tourist route and "Hire-a-bus" services

Revenue from public route, tourist route and "Hire-a-bus" services is recognised when the related services are provided.

(iii) Revenue from sightseeing tickets sales and touring

Revenue from sightseeing ticket sales and touring is recognised when the tickets are sold.

(iv) Bus management and other services

Revenue from bus management and other services is recognised when the related services are rendered.

(v) Revenue from advertising on fleet body

Advertising income on fleet body, including revenue invoiced in advance, is recognised over the terms of the relevant agreements.

(vi) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue recognition (Continued)

(vii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(xi) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(y) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 3 (revised 2008)	Business combinations
Amendments to HKAS 27	Consolidated and separate financial statements
Amendments to HKFRS 5	Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary
Amendment to HKAS 39	Financial instruments: Recognition and measurement eligible hedged items
HK (Int) 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

The amendment to HKAS 39 and the issuance of HK (Int) 5 have had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27 and HKFRS 5 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, *Investments in associates*, and HKAS 31, *Interests in joint ventures*, the following policies will be applied as from 1 January 2010:

  – If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if re-acquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

4. TURNOVER

Turnover comprises revenue from the provision of lottery-based mobile online game recharge services, travel agent services and artist management services. The amount of each significant category of revenue recognised in turnover during the year is analyzed as follows:

	2010	2009
	HK$'000	HK$'000
Continuing operations		
– Mobile recharging service income	**941**	2,811
– Artist management income	**214**	–
– Revenue from travel agent services	**24,519**	19,302
	25,674	22,113
Discontinued operations		
– Bus fare from public routes	**–**	69,628
– Bus management fee income	**–**	1,797
– Revenue from "Hire-a-bus" services and sightseeing ticket	**–**	18,324
– Taxi rental income	**–**	6,631
	–	96,380
	25,674	118,493

5. OTHER INCOME AND GAIN, NET

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other income						
Interest income from banks	**6**	65	**–**	159	**6**	224
Other interest income	**–**	34	**–**	–	**–**	34
	6	99	**–**	159	**6**	258
Advertising income on fleet body	**–**	–	**–**	2,832	**–**	2,832
Gain on waiver of interest payable *(note (i))*	**1,439**	–	**–**	–	**1,439**	–
Government grants *(note (ii))*	**–**	–	**–**	16,373	**–**	16,373
Handling fee income	**–**	–	**–**	261	**–**	261
Repair service income	**–**	–	**–**	256	**–**	256
Gain on cancellation of convertible bonds	**17,892**	–	**–**	–	**17,892**	–
Reversal of impairment loss of other receivables	**–**	–	**–**	3,776	**–**	3,776
Sundry income	**1,998**	–	**–**	817	**1,998**	817
	21,335	99	**–**	24,474	**21,335**	24,573
Gain, net						
Net loss on disposal of property, plant and equipment	**–**	–	**–**	(379)	**–**	(379)
	21,335	99	**–**	24,095	**21,335**	24,194

Notes: (i) During the year, an unsecured loan with interest-bearing at 5% per annum was assigned by an independent third party to a non-controlling interest holder. Upon completion of such assignment of debt, the accrued interest was waived and consequently treated as other income this year.

(ii) Government grants represent various forms of incentives and subsidies given to the Group by the local governmental authorities in the PRC in 2009. These grants are generally made for business support and awarded to enterprises on a discretionary basis. The Group received these government grants because of its investments and operations of bus business in the PRC. Government grants of approximately HK$16,116,000 are related to compensation for the expenses incurred by the Group and approximately HK$257,000 are related to the compensation for financing the Group's purchases of motor vehicles.

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
a) Finance costs						
Interest on bank advances and other borrowings wholly repayable within five years	**97**	1,561	**–**	471	**97**	2,032
Interest on promissory notes	**23,361**	27,012	**–**	–	**23,361**	27,012
Interest on convertible bonds	**1,731**	28,869	**–**	–	**1,731**	28,869
Others	**40**	23	**–**	14	**40**	37
	25,229	57,465	**–**	485	**25,229**	57,950
b) Staff costs (including directors' remuneration)						
Termination payment	**121**	–	**–**	–	**121**	–
Contributions to defined contribution retirement plans	**88**	1,641	**–**	8,172	**88**	9,813
Equity-settled share-based payment expenses	**3,530**	2,492	**–**	–	**3,530**	2,492
Salaries, wages and other benefits	**13,331**	11,038	**–**	26,336	**13,331**	37,374
	17,070	15,171	**–**	34,508	**17,070**	49,679

6. LOSS BEFORE TAXATION (Continued)

Loss before taxation is arrived at after charging: (Continued)

	Continuing operations		Discontinued operations		Consolidated	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
c) Other items						
Amortisation						
– prepaid lease payments	**18**	18	**–**	47	**18**	65
Depreciation						
– assets held for use under operating leases	**–**	–	**–**	4,716	**–**	4,716
– other assets	**1,334**	994	**–**	7,724	**1,334**	8,718
Impairment loss on property, plant and equipment	**–**	–	**–**	109	**–**	109
Impairment loss on available-for-sale financial assets	**–**	–	**–**	378	**–**	378
Net foreign exchange loss/(gain)	**–**	29	**–**	(108)	**–**	(79)
Auditors' remuneration						
– current year	**320**	300	**–**	–	**320**	300
– under-provision in respect of prior years	**200**	5	**–**	–	**200**	5
Operating lease charges in respect of property rentals: minimum lease payments	**3,878**	4,721	**–**	33	**3,878**	4,754
Cost of inventories	**51**	–	**–**	35,029	**51**	35,029
Write-off of property, plant and equipment	**5**	–	**–**	–	**5**	–
Loss on disposal of property, plant and equipment	**1,360**	–	**–**	–	**1,360**	–
Loss on disposal of prepaid lease payments	**27**	–	**–**	–	**27**	–

7. TAXATION IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax						
Provision of PRC Enterprise Income Tax for the year	**–**	–	**–**	2,402	**–**	2,402
Deferred tax						
Origination and reversal of temporary differences	**(39,837)**	(127,640)	**–**	–	**(39,837)**	(127,640)
	(39,837)	(127,640)	**–**	2,402	**(39,837)**	(125,238)

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the years ended 31 December 2010 and 2009. PRC Enterprise Income Tax is computed according to the relevant legislation, interpretations and practices in respect thereof during the year. The applicable PRC income tax rate is 25% (2009: 25%).

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss before taxation	**(214,984)**	(763,380)	**–**	(1,086)	**(214,984)**	(764,466)
Notional tax on loss before taxation, calculated at 25% (2009: 25%)	**(53,746)**	(190,845)	**–**	(271)	**(53,746)**	(191,116)
Effect of different tax rates in other tax jurisdictions	**2,010**	6,844	**–**	248	**2,010**	7,092
Tax effect on non–deductible expenses	**51,300**	188,257	**–**	1,225	**51,300**	189,482
Tax effect of non–taxable income	**(3,711)**	(4,148)	**–**	(2,099)	**(3,711)**	(6,247)
Tax effect of unused tax losses not recognised	**4,147**	(108)	**–**	897	**4,147**	789
Under provision in prior year	**–**	–	**–**	2,402	**–**	2,402
Tax effect on reversal of deferred tax liability	**(39,837)**	(127,640)	**–**	–	**(39,837)**	(127,640)
Actual tax expense	**(39,837)**	(127,640)	**–**	2,402	**(39,837)**	(125,238)

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Share-based payment *(note viii)* HK$'000	Total HK$'000
2010:					
Executive Directors					
Wong Wai Sing *(note i)*	**110**	**1,660**	**10**	**–**	**1,780**
Cheung Man Yau, Timothy	**114**	**1,330**	**10**	**588**	**2,042**
Chan Kin Yip (note ii)	**–**	**1,080**	**12**	**272**	**1,364**
Lai Chun Hung *(note iii)*	**8**	**–**	**–**	**–**	**8**
Cheng Wing Hong *(note iv)*	**–**	**510**	**12**	**90**	**612**
Non-executive Directors					
Wong Wai Sing *(note i)*	**4**	**–**	**–**	**–**	**4**
Independent Non-executive Directors					
Sung Wai Tak, Herman	**50**	**–**	**–**	**–**	**50**
Wong Lit Chor, Alexis	**50**	**–**	**–**	**–**	**50**
Fung Wai Shing	**50**	**–**	**–**	**–**	**50**
	386	**4,580**	**44**	**950**	**5,960**
2009:					
Executive Directors					
Cheung Man Yau, Timothy	50	–	–	–	50
Chan Kin Yip *(note ii)*	–	869	17	763	1,649
Cheng Wing Hong *(note iv)*	–	541	24	381	946
Wong Man Chiu, Ronnie *(note v)*	–	457	–	–	457
Non-executive Directors					
Wong Wai Sing *(note i)*	35	–	–	–	35
Wong Wah Sang *(note vi)*	–	–	–	–	–
Wong Wilkie *(note vii)*	–	–	–	–	–
Independent Non-executive Directors					
Sung Wai Tak, Herman	50	–	–	127	177
Wong Lit Chor, Alexis	50	–	–	127	177
Fung Wai Shing	50	–	–	127	177
	235	1,867	41	1,525	3,668

8. DIRECTORS' REMUNERATION (Continued)

Notes:

(i) Appointed as Chairman and Non-executive Director on 17 April 2009. Re-designated as Chairman and Executive Director on 1 February 2010.
(ii) Appointed as Executive Director on 9 March 2009.
(iii) Appointed as Executive Director on 8 December 2010.
(iv) Resigned as Executive Director on 11 February 2011.
(v) Resigned as Executive Director on 16 November 2009.
(vi) Resigned as Non-executive Director and Chairman on 9 March 2009.
(vii) Resigned as Non-executive Director on 9 March 2009.
(viii) These represent the estimated value of share options granted to the directors under the Company's Share Option Scheme. The value of these share options is measured according to the Group's accounting policies for share-based payments as set out in note 2(q) (iii). The details of these benefits-in-kind, including the principal terms and number of options granted, are disclosed in note 34.

There was no amount paid during the years ended 31 December 2010 and 2009 to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2010 and 2009.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of the five individuals with the highest emoluments, three (2009: two) are directors, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2009: three) individuals are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other emoluments	**5,224**	1,324
Retirement scheme contributions	**44**	–
Share-based payments	**950**	204
	6,218	1,528

The emoluments of two (2009: three) individuals with the highest emoluments are within the following band:

	2010 Numbers of individuals	2009 Numbers of individuals
Nil to HK$1,000,000	**2**	3

There was no amount paid during the years ended 31 December 2010 and 2009 to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss for the year attributable to equity shareholders of the Company includes a loss of HK$133,422,000 (2009: HK$354,258,000) which has been dealt with in the financial statements of the Company.

11. DISCONTINUED OPERATIONS

The results of the discontinued operations for the period from 1 January 2009 to 30 June 2009, which have been included in the consolidated income statement, were as follows:

	2010 HK$'000	2009 HK$'000
Turnover	–	96,380
Cost of sales	–	(97,921)
Gross loss	–	(1,541)
Other revenue	–	20,698
Other net income	–	3,397
Operating and administrative expenses	–	(22,668)
Impairment loss on property, plant and equipment	–	(109)
Impairment loss on available-for-sale financial assets	–	(378)
Finance costs	–	(485)
Loss before taxation from discontinued operations	–	(1,086)
Taxation	–	(2,402)
Loss after taxation from discontinued operations	–	(3,488)
Gain on disposal of discontinued operations *(note 35)*	–	3,110
Loss from discontinued operations recognised in the consolidated income statement	–	(378)
Cash flows from discontinued operations:		
Net cash generated from operating activities	–	18,623
Net cash used in investing activities	–	(17,552)
Net cash generated from financing activities	–	10,443
Net cash inflow	–	11,514

12. LOSS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$101,335,000 (2009: HK$387,060,000) and the weighted average of 688,215,000 (2009: 473,037,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2010	2009
	'000	'000
Issued ordinary shares at 1 January	**652,258**	216,000
Effect of issue of consideration shares	**10,388**	43,035
Effect of conversion of convertible bonds	**2,551**	214,002
Effect of issue of placing of shares	**18,443**	–
Effect of shares issued upon exercise of share options	**4,575**	–
Weighted average number of ordinary shares at 31 December	**688,215**	473,037

The diluted loss per share for the years ended 31 December 2010 and 2009 is equal to the basic loss per share as the outstanding convertible bonds and share options were anti-dilutive.

(b) From continuing operations

The calculation of basic loss per share from continuing operations attributable to ordinary equity shareholders of the Company.

Loss figures are calculated as follows:

	2010	2009
	HK$'000	HK$'000
Loss for the year attributable to ordinary equity shareholders of the Company	**(101,335)**	(387,060)
Less: Loss for the year from discontinued operations	**–**	378
Loss for the purpose of basic loss per share from continuing operations	**(101,335)**	(386,682)

The denominators used are the same as those detailed above in (a) for basic loss per share.

The diluted loss per share from continuing operations for the years ended 31 December 2010 and 2009 is equal to the basic loss per share as the outstanding convertible bonds and share options were anti-dilutive.

12. LOSS PER SHARE (Continued)

(c) From discontinued operations

Basic loss per share for the discontinued operations is 0.08 HK cents per share in 2009 based on the loss for the year ended 31 December 2009 from the discontinued operations of HK$378,000 and the denominators used are the same as those detailed above at (a).

The diluted loss per share from discontinuing operations for the year ended 31 December 2009 is equal to the basic loss per share as the outstanding convertible bonds were anti-dilutive.

As the Company had no profit or loss from the discontinued operations for the year, basic and diluted earnings / loss per share from the discontinued operations for the year is not presented.

13. SEGMENT REPORTING

The Group manages its business by divisions. The reportable segments are in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment.

In 2010, the Group had three business segments, namely (i) mobile lottery on-line recharging services, (ii) travel agent services and (iii) entertainment.

– Mobile lottery on-line recharging services: this segment engaged in the provision of nationwide telecommunications value-added services, including package message subscription, payment or recharging services for mobile phone subscribers in PRC.

– Travel agent services: this segment engaged in the provision of tourist routes and tour related services. Currently the Group's activities in this regard are carried out in PRC.

– Entertainment: this segment engaged in the training of contracted artists and their assignment to advertisement production. Currently the Group's activities in this regard are carried out in Hong Kong.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and other corporate assets. Segment liabilities include trade creditors, accruals and other payable to the services and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. adjusted earnings before interest, taxes, depreciation and amortisation, where interest is regarded as including investment income and depreciation and amortisation is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

13. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments; depreciation , amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

	2010							
	Continuing operations				Discontinued operations			
	Mobile lottery on-line recharging services HK$'000	Travel agent services HK$'000	Entertainment HK$'000	Total HK$'000	Public routes HK$'000	Hire-a-bus services and sightseeing tickets HK$'000	Bus management HK$'000	Total HK$'000
Revenue from external customers	941	24,519	214	25,674	–	–	–	–
Inter-segment revenue	–	–	–	–	–	–	–	–
Reportable segment revenue	941	24,519	214	25,674	–	–	–	–
Reportable segment (loss)/profit (adjusted EBITDA)	(11,616)	512	(2,798)	(13,902)	–	–	–	–
Interest income from banks	2	3	–	5	–	–	–	–
Interest expense	(25)	(1)	–	(26)	–	–	–	–
Depreciation and amortisation for the year	(37,447)	(197)	(17)	(37,661)	–	–	–	–
Impairment loss on intangible assets	(142,292)	–	–	(142,292)	–	–	–	–
Reportable segment assets	13,180	8,090	3,621	24,891	–	–	–	–
Additions to non-current segment assets during the year	643	14	47	704	–	–	–	–
Reportable segment liabilities	(197,881)	(4,552)	(6,834)	(209,267)	–	–	–	–

13. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

	2009							
	Continuing operations				Discontinued operations			
	Mobile lottery on-line recharging services HK$'000	Travel agent services HK$'000	Entertainment HK$'000	Total HK$'000	Public routes HK$'000	Hire-a-bus services and sightseeing tickets HK$'000	Bus management HK$'000	Total HK$'000
Revenue from external customers	2,811	19,302	–	22,113	69,628	18,324	8,428	96,380
Inter-segment revenue	–	–	–	–	–	–	–	–
Reportable segment revenue	2,811	19,302	–	22,113	69,628	18,324	8,428	96,380
Reportable segment (loss)/profit (adjusted EBITDA)	(15,147)	390	–	(14,757)	7,832	1,301	1,952	11,085
Interest income from banks	5	54	–	59	121	34	4	159
Interest expense	(55,881)	–	–	(55,881)	(303)	(80)	(35)	(418)
Depreciation and amortisation for the year	(137,487)	(207)	–	(137,694)	(9,013)	(2,115)	(1,596)	(12,724)
Impairment loss on								
– property, plant and equipment	–	–	–	–	(109)	–	–	(109)
– available-for-sale financial assets	–	–	–	–	(378)	–	–	(378)
– goodwill	(55,010)	–	–	(55,010)	–	–	–	–
– intangible assets	(483,375)	–	–	(483,375)	–	–	–	–
Reportable segment assets	352,293	7,222	–	359,515	–	–	–	–
Additions to non-current segment assets during the year	814,538	11	–	814,549	–	–	–	–
Reportable segment liabilities	(276,234)	(3,880)	–	(280,114)	–	–	–	–

13. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

	2010			2009		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Revenue						
Reportable segment revenue	**25,674**	**–**	**25,674**	22,113	96,380	118,493
Elimination of inter-segment revenue	**–**	**–**	**–**	–	–	–
Consolidated turnover	**25,674**	**–**	**25,674**	22,113	96,380	118,493
Profit						
Reportable segment (loss)/profit	**(13,902)**	**–**	**(13,902)**	(14,757)	11,085	(3,672)
Elimination of inter-segment profits	**–**	**–**	**–**	–	–	–
Reportable segment (loss)/ profit derived from the Group's external customers	**(13,902)**	**–**	**(13,902)**	(14,757)	11,085	(3,672)
Other income and gain, net	**21,335**	**–**	**21,335**	99	24,095	24,194
Depreciation and amortisation	**(37,732)**	**–**	**(37,732)**	(137,800)	(12,724)	(150,524)
Finance costs	**(25,229)**	**–**	**(25,229)**	(57,465)	(485)	(57,950)
Impairment loss on non-current assets	**(142,292)**	**–**	**(142,292)**	(483,375)	(593)	(483,968)
Unallocated head office and corporate expenses	**(17,164)**	**–**	**(17,164)**	(70,082)	(22,464)	(92,546)
Consolidated loss before taxation	**(214,984)**	**–**	**(214,984)**	(763,380)	(1,086)	(764,466)

13. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

	2010			2009		
	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Assets						
Reportable segment assets	24,891	–	24,891	359,515	–	359,515
Elimination of inter-segment receivable	–	–	–	–	–	–
	24,891	–	24,891	359,515	–	359,515
Non-current financial assets	16,817	–	16,817	–	–	–
Goodwill	25,235	–	25,235	–	–	–
Unallocated head office and corporate assets	2,292	–	2,292	3,428	–	3,428
Consolidated total assets	69,235	–	69,235	362,943	–	362,943
Liabilities						
Reportable segment liabilities	(209,267)	–	(209,267)	(280,114)	–	(280,114)
Elimination of inter-segment payable	–	–	–	–	–	–
	(209,267)	–	(209,267)	(280,114)	–	(280,114)
Deferred tax liabilities	(661)	–	(661)	(40,498)	–	(40,498)
Unallocated head office and corporate liabilities	(24,858)	–	(24,858)	(35,998)	–	(35,998)
Consolidated total liabilities	(234,786)	–	(234,786)	(356,610)	–	(356,610)

Geographical segments

No analysis of the Group's turnover and contribution from operations by geographical segment has been presented as almost all of the Group's operating activities are carried out in the PRC. There is no other geographical segment with segment assets equal to or greater than 10 per cent of the Group's total assets.

Major customers

No analysis of the Group's turnover and contribution from operations by major customers has been presented as there is no transaction with a single external customer equal to or greater than 10 per cent of the Group's total revenues.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At 1 January 2009	2,809	3,485	8,088	266,889	281,271
Additions	93	1,614	925	17,900	20,532
Acquired through acquisition of subsidiaries	–	–	1,569	1,518	3,087
Disposals	–	–	(163)	(2,804)	(2,967)
Disposals on discontinued operations	(2,332)	(3,049)	(7,724)	(287,356)	(300,461)
Disposals on deregistration of subsidiaries	–	–	(10)	–	(10)
Loss on revaluation	(14)	–	–	–	(14)
Exchange adjustments	(50)	73	139	6,106	6,268
At 31 December 2009	506	2,123	2,824	2,253	7,706
Representing:					
Cost	–	2,123	2,824	2,253	7,200
Valuation – 2009	506	–	–	–	506
	506	2,123	2,824	2,253	7,706
At 1 January 2010	506	2,123	2,824	2,253	7,706
Additions	–	–	573	–	573
Acquired through acquisition of subsidiaries *(note 36(c))*	–	–	16	–	16
Disposals	(512)	(685)	(90)	(1,726)	(3,013)
Reclassification	–	(76)	76	–	–
Write-off	–	–	(31)	–	(31)
Exchange adjustments	6	50	92	39	187
At 31 December 2010	–	1,412	3,460	566	5,438
Representing:					
Cost	–	1,412	3,460	566	5,438

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Accumulated depreciation and impairment:					
At 1 January 2009	–	1,144	5,349	120,498	126,991
Charge for the year	14	129	762	12,529	13,434
Impairment loss	–	–	–	109	109
Written back on disposals	–	–	(66)	(2,087)	(2,153)
Written back on disposal of discontinued operations	(44)	(1,158)	(5,216)	(136,170)	(142,588)
Written back on deregistration of subsidiaries	–	–	(6)	–	(6)
Elimination on revaluation	30	–	–	–	30
Exchange adjustments	–	1	225	5,746	5,972
At 31 December 2009	–	116	1,048	625	1,789
At 1 January 2010	–	116	1,048	625	1,789
Charge for the year	11	526	549	248	1,334
Reclassification	–	(8)	8	–	–
Written back on disposals	(11)	(190)	(16)	(699)	(916)
Written back on write-off	–	–	(26)	–	(26)
Exchange adjustments	–	10	43	11	64
At 31 December 2010	–	454	1,606	185	2,245
Carrying amount:					
At 31 December 2010	–	958	1,854	381	3,193
At 31 December 2009	506	2,007	1,776	1,628	5,917

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The analysis of carrying amount of buildings is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Outside Hong Kong, at fair value – medium-term leases	**–**	506

(b) The buildings were disposed of during the year. Buildings held for own use were revalued as at 31 December 2009 on the basis of their depreciated replacement costs method, taking into account the historical construction cost of buildings by 徐州華興房地產估價諮詢有限公司, an independent professional valuer firm with appropriate qualification and recent experience in the location and category of property being valued.

The carrying value of these buildings as at 31 December 2009 would have been approximately HK$526,000 had they been carried at cost less accumulated depreciation.

The Company

	Leasehold improvements	**Furniture, fixtures and equipment**	**Total**
	HK$'000	HK$'000	HK$'000
Cost:			
At 1 January 2009	186	198	384
Additions	–	11	11
At 31 December 2009 and 31 December 2010	186	209	395
Accumulated depreciation and impairment:			
At 1 January 2009	27	71	98
Charge for the year	10	42	52
At 31 December 2009 and 1 January 2010	37	113	150
Charge for the year	8	28	36
At 31 December 2010	45	141	186
Carrying amount:			
At 31 December 2010	141	68	209
At 31 December 2009	149	96	245

15. PREPAID LEASE PAYMENTS

The Group's land use rights are analysed as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**–**	812

	2010	2009
	HK$'000	HK$'000
Analysed for reporting purposes as		
– Current assets *(note 22)*	**–**	18
– Non-current assets	**–**	794
	–	812

The land use rights were disposed of during the year.

The amortisation charge for the year in respect of the land use rights is included in "operating and administrative expenses" in the consolidated income statement.

16. INTANGIBLE ASSETS

The Group

	Exclusive operating licenses HK$'000	TMP platform HK$'000	Travel agency licenses HK$'000	Taxi licenses HK$'000	Total HK$'000
Cost:					
At 1 January 2009	–	–	880	2,718	3,598
Additions	136,538	2,344	–	–	138,882
Additions through acquisition of subsidiaries	672,552	2,690	–	–	675,242
Disposal on discontinued operations	–	–	–	(2,452)	(2,452)
Exchange adjustments	(7,642)	(34)	(10)	(266)	(7,952)
At 31 December 2009 and 1 January 2010	801,448	5,000	870	–	807,318
Additions	–	643	–	–	643
Exchange adjustments	–	191	31	–	222
At 31 December 2010	801,448	5,834	901	–	808,183
Accumulated amortisation and impairment loss:					
At 1 January 2009	–	–	360	2,326	2,686
Charge for the year	136,164	624	87	150	137,025
Impairment loss	483,375	–	–	–	483,375
Written back on disposal of discontinued operations	–	–	–	(2,213)	(2,213)
Exchange adjustments	–	(5)	(4)	(263)	(272)
At 31 December 2009 and 1 January 2010	619,539	619	443	–	620,601
Charge for the year	35,502	808	88	–	36,398
Impairment loss	139,642	2,650	–	–	142,292
Exchange adjustments	–	42	18	–	60
At 31 December 2010	794,683	4,119	549	–	799,351
Carrying amount:					
At 31 December 2010	6,765	1,715	352	–	8,832
At 31 December 2009	181,909	4,381	427	–	186,717

16. INTANGIBLE ASSETS (Continued)

Notes:

(a) Exclusive operating licenses refer to six licenses granted to the Group's subsidiary, 上海唐路科技服務有限公司, by PRC's Sports Lottery Administrative Centre (體育彩票管理中心) pursuant to six 5-year cooperative agreements entered into between the two parties. The licenses enable the subsidiary to act as a sole service provider for mobile lottery on-line recharging services for games approved by the PRC government authority for a fixed term of five years in the related provinces. The six provinces are Shandong province, Heinan province, Qinghai province, Hubei province, Gansu province, and Shaanxi province.

Due to unexpected delay in launching of games and the recent changes in business operating environment, the directors consider that the intangible assets have been impaired. As a result, the directors re-assess the recoverable amount of those intangible assets.

The recoverable amounts of the intangible assets are determined based on value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with the key assumptions stated below.

Key assumptions used by the directors of the Company for value-in-use calculations:

–	Growth in revenue year-on-year	20%
–	Penetration rate of mobile lottery on-line to the whole Sports Lottery and Welfare Lottery in the PRC	1-5%
–	Discount rate	18.10%

– More on-line games will be launched in June 2011 in Shandong province and the businesses in Qinghai province, Hubei province, Gansu province and Shaanxi province will be started in 2012;

– Cooperative agreements will be considered to be expired in 5 years after the date of signing of the agreements notwithstanding the delay in launching of the operation in certain provinces;

– Business in certain provinces will be terminated before the expiration of the cooperative agreement due to market share collapse in the future.

The growth in revenue is based on historical market data and management's expectations of future market development. The discount rate reflects the specific risks relating to the PRC's lottery industry.

The above value-in-use calculations as at 31 December 2010 were carried out by an independent professional valuer, Asset Appraisal Limited who has recent experience in the category of intangible assets being valued.

Based on the above assessments, the carrying amounts of the valued intangible assets are greater than its recoverable amount and the management considered that impairment loss of approximately HK$139,642,000 (2009: HK$483,375,000) is necessary and is recognised in the profit or loss the year ended 31 December 2010. The remaining amortisation period of the intangible assets is ranged from 2 to 3 years.

(b) TMP Platform represent Tanglu Mobile Payment Platform of which to provide e-payment and e-recharge services to lottery-based mobile online game subscribers. They have definite useful lives and are amortised over their estimated useful lives of 5 years.

The Group carried out the impairment test for the TMP Platform of which the assessment was carried out by Asset Appraisal Limited, an independent qualified professional valuer. The assessment basis is consistent with that of the exclusive operating licenses as stated in note 16(a).

(c) Travel agency licenses represent the rights to operate travel agency business within and outside the PRC.

(d) Taxi licenses represent the rights acquired to operate taxi business within Taizhou, the PRC. Taxi licenses were disposed of through the disposal of discontinued operations on 30 June 2009.

17. GOODWILL

The Group

	2010 HK$'000	2009 HK$'000
Cost:		
At 1 January	**106,230**	381
Arising on acquisition of subsidiaries *(note 36(c))*	**25,235**	105,849
At 31 December	**131,465**	106,230
Accumulated impairment losses:		
At 1 January	**106,230**	381
Profit guarantee and adjustment *(note 30)*	**–**	50,839
Impairment loss for the year	**–**	55,010
At 31 December	**106,230**	106,230
Carrying amount:		
At 31 December	**25,235**	–

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and reportable segment as follows:

	2010 HK$'000	2009 HK$'000
Entertainment related industry	**25,235**	–

Note:

(i) The goodwill was arising on the acquisition of 51% equity interest in Fountain City Holdings Limited in on 22 October 2010 and the details are set out in note 36(a).

The recoverable amount of entertainment segment to which the goodwill relates has been determined based on a value-in-use calculation over its useful life. The calculation is based on a five-year budget. Key assumptions were based on past performance, management's expectations on market development and general inflation. Cash flows beyond the five-year period are extrapolated assuming no growth and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 22.76% reflecting the Group's cost of capital.

Based on the assessment performed, no impairment provision against the carrying value of goodwill was considered necessary.

18. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

	2010 HK$'000	2009 HK$'000
Put options		
Arising on acquisition of subsidiaries during the year and at 31 December	**16,817**	–

On 7 October 2010, upon acquisition of 51% equity interest in Fountain City Holdings Limited ("Fountain City") and its subsidiaries (collectively as "Fountain City Group"), the Group entered into a put option agreement with a vendor that the Group is granted a first put option to sell the consideration shares at HK$41,400,000 within the first option period which has started since the completion date and will last for a year. The option is exercisable only when the gross profits of Fountain City Group for the first option period is less than HK$15,000,000. The exercisable period is from 22 October 2011 to 21 November 2011.

The Group is granted a second put option to sell the consideration shares at HK$58,650,000 within the second option period which follows the first option period and will last for a year. The option is exercisable only when the gross profits of Fountain City Group for the second option period is less than HK$30,000,000. The exercisable period is from 22 October 2012 to 21 November 2012.

The acquisition was completed on 22 October 2010.

Valuation of the put options

The put options are measured at fair value estimated by a firm of independent professional valuers in Hong Kong by using the Binomial Option Pricing Model.

The inputs into the model for the value of the put options as at the date of completion of acquisition of Fountain City Group and 31 December 2010 were as follows:

	First put option	Second put option
Annualized volatility	77.57%	77.57%
Underlying asset value at date of valuation (HK$'000)	34,500	34,500
Risk free rate	0.37%	0.37%
Dividend yield	0%	0%

The Binomial Option Pricing Model was developed to estimate the fair value of options. It is one of the commonly used models to estimate the fair value of an option which can be exercised before the expiry of the option period. Such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because changes in the subjective input assumptions can materially affect the fair value estimate, the Binomial Option Pricing Model costs does not necessarily provide a reliable measure of the fair value of the put options.

Note:

(i) The directors have considered the carrying amount of the Group's put options carried at fair value on 22 October 2010, and estimated that the carrying amount did not differ significantly from their fair value at 31 December 2010.

19. DEPOSIT FOR ACQUISITION OF EXCLUSIVE OPERATING LICENSES

The amount represents deposits paid to the vendor for getting the mobile lottery on-line recharging services license of Liaoning province identified and recognised upon the completion of the acquisition of 65% equity interest in Wisdom In Holdings Limited on 8 January 2009 (see note 36(b)). The Company has the right to reduce the principal amount of the convertible bonds downward by HK$148,000,000 if the vendor is unable to obtain the mobile lottery on-line recharging services license of Liaoning province for the subsidiary. As at 31 December 2009, the negotiation on the mobile lottery on-line recharging service license of Liaoning province was still under progress. On 9 March 2010, this arrangement was cancelled and the deposit has been adjusted by offsetting the convertible bond of the same amount.

20 . INTERESTS IN SUBSIDIARIES

The Company

	2010 **HK$'000**	2009 HK$'000
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries *(note (i))*	**475,181**	542,234
Less: Impairment loss	**(428,920)**	(276,362)
	46,261	265,872

Note:

(i) Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment but settlement are not expected within one year from the balance sheet date.

20. INTERESTS IN SUBSIDIARIES (Continued)

The Company (Continued)

The following list contains only the particulars of subsidiaries which principally affect the results, assets and liabilities of the Group.

Name of company	Place of incorporation /establishment and operation	Particulars of issued/ registered and paid up capital	Proportion of ownership interest Group's effective holding	Held by the Company	Held by a subsidiary	Principal activity
Mega Field International Limited	Hong Kong	1 ordinary share of HK$1 each	100%	100%	–	Investment holding
Agros (China) Investment Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	100%	Investment holding
Argos Enterprise Management Consultant (Nanjing) Limited *(note i)*	PRC	Registered capital of RMB4,000,000	100%	–	100%	Investment holding
Xuzhou China International Travel Service Limited *(note ii)*	PRC	Registered capital of RMB1,500,000	90%	–	90%	Provision of tour services and transportation
Wisdom In Holdings Limited	British Virgin Islands	1,000 ordinary share of US$1 each	65%	–	65%	Investment holding
Index Hong Kong Limited	Hong Kong	1,000 ordinary share of HK$1 each	65%	–	100%	Investment holding
TLT Services (Shanghai) Limited 上海唐路科技服務有限公司 *(note iii)*	PRC	Registered capital of USD2,273,316	53.5%	–	82.3%	Provision of lottery-based mobile online game recharge services
Circle One International Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	100%	–	Investment holding
TLT Lottotainment Technology Limited	Hong Kong	10,000 ordinary shares of HK$1 each	55%	–	55%	Investment holding
Shenzhen Caile Technology Limited 深圳彩樂科技有限公司 *(note i)*	PRC	Registered capital of RMB100,000	55%	–	100%	Provision of internet sport gaming
Brilliant Reach Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	100%	–	Investment holding
Fountain City Holdings Limited	British Virgin Islands	Registered capital of USD50,000	51%	–	51%	Investment holding
Santos Group Entertainment and Advertising Limited	British Virgin Islands	5 ordinary share of US$1 each	51%	–	100%	Production of entertainment programmes and advertisement
Macau Talent Academy Limited	Macau	Registered capital of MOP$25,000	51%	–	100%	Operation of artist training school in Macau
M & M Entertainment International Company Limited	Hong Kong	10,000 ordinary share of HK$1 each	30.6%	–	60%	Production of entertainment programmes and provision of artist management services

20. INTERESTS IN SUBSIDIARIES (Continued)

The Company (Continued)

Notes:

(i) Registered under the laws of the PRC as wholly foreign-owned enterprise.

(ii) Registered under the laws of the PRC as limited liability enterprise.

(iii) Registered under the laws of the PRC as sino-foreign equity joint venture enterprise.

21. INVENTORIES

The Group

	2010 **HK$'000**	2009 HK$'000
Consumables	**18**	1

22. TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Trade debtors	**220**	216	**–**	–
Advance to staff	**–**	18	**–**	–
Amount due from a non-controlling interest holder *(note 40(b))*	**10**	–	**–**	–
Amounts due from affiliated companies of a non-controlling interest holder *(note 40(b))*	**17**	–	**–**	–
Other receivables	**3,500**	4,228	**–**	–
Rental and other deposits	**2,760**	1,738	**–**	–
Loans and receivables	**6,507**	6,200	**–**	–
Prepaid lease payments *(note 15)*	**–**	18	**–**	–
Prepayments	**2,937**	1,877	**6**	–
	9,444	8,095	**6**	–

All of the trade and other receivables, apart from rental and other deposits, are expected to be recovered or recognised as expense within one year.

22. TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis

An ageing analysis of trade debtors at the balance sheet date is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 1 month	**101**	141
More than 1 month but within 3 months	**119**	56
More than 3 months but within 6 months	**–**	14
More than 6 months	**–**	5
	220	216

Trade debtors are generally granted with credit terms ranging from 30 days to 180 days. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customers' requests. Further details on the Group's credit policy are set out in note 37.

(b) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**220**	211
Less than 1 month past due	**–**	5
	220	216

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. RESTRICTED BANK DEPOSITS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Statutory deposit *(note (i))*	**1,647**	–	**–**	–
Pledged bank deposits *(note (ii))*	**–**	10,000	**–**	10,000
	1,647	10,000	**–**	10,000

Notes:

(i) Statutory deposit in guarantee of travel agency quality

(ii) Pledged bank deposits as at 31 December 2009 were used as security for banking facilities granted to the Group (note 25).

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and on hand	**4,049**	3,419	**778**	1
Cash and cash equivalents in the balance sheets	**4,049**	3,419	**778**	1
Less: bank overdrafts *(note 25)*	**–**	(10,511)		
Cash and cash equivalents in the consolidated statement of cash flows	**4,049**	(7,092)		

25. BANK OVERDRAFTS

	The Group and The Company	
	2010	2009
	HK$'000	HK$'000
Bank overdrafts – secured by bank deposits *(note 23)*	**–**	10,511

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors *(note 26(a))*	**334**	147	**–**	–
Accrued charges	**10,423**	3,737	**2,277**	2,213
Payables for acquisition of property, plant and equipment	**1,169**	2,006	**–**	–
Short-term loan payables	**4,159**	–	**–**	–
Amounts due to directors *(note 40(b))*	**16,610**	–	**10,769**	–
Amounts due to related persons *(note 40(b))*	**6,184**	–	**–**	–
Amount due to a subsidiary *(note 26(b))*	**–**	–	**312**	–
Deposits	**–**	206	**–**	–
Other taxes and government surcharges payables	**16**	65	**–**	–
Financial liabilities measured at amortised cost	**38,895**	6,161	**13,358**	2,213
Receipts in advance *(note 26(c))*	**3,971**	3,071	**–**	–
	42,866	9,232	**13,358**	2,213

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

26. TRADE AND OTHER PAYABLES (Continued)

(a) Ageing analysis

The ageing analysis of trade creditors at the balance sheet date is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 1 month	**156**	38
More than 1 month but within 3 months	**178**	87
More than 3 months	**–**	22
	334	147

(b) Amount due to a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

(c) The amounts represent prepaid advertising fees and other service income from customers, for which the related services are expected to be rendered within one year from the balance sheet date.

27. INTEREST-BEARING LOAN

As at 31 December, 2009, the amount was unsecured, interest bearing at 5% per annum and not repayable within twelve months from 31 December, 2009. During the year, the loan was assigned to a non-controlling interest holder and has been reclassified to other long-term payable accordingly.

28. OTHER LONG-TERM PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest payables	**–**	4,184	**–**	2,761
Amount due to a director *(note 28(a))*	**–**	13,592	**–**	10,592
Amount due to a related company *(note 28(b))*	**–**	1,705	**–**	–
Amounts due to non-controlling interest holders *(note 28(c))*	**36,211**	6,487	**–**	–
Financial liabilities measured at amortised cost	**36,211**	25,968	**–**	13,353

All of the other long-term payables are not expected to be settled within one year or are not repayable on demand.

(a) As at 31 December 2009, the amount due to Mr. Cheung Man Yau, Timothy, is unsecured, interest-free and repayable in December 2011.

(b) As at 31 December 2009, the amount due to 明基（中國）置業有限公司 is unsecured, interest-free and repayable in December 2011.

(c) The amounts due to Mr. Li Quan and Premier Capital Enterprises Limited of approximately HK$30,128,135 and HK$6,083,403 respectively are unsecured, interest-free and repayable in December 2012. The effect on discounting using effective interest method is not significant.

29. CONVERTIBLE BONDS

The Group and the Company

On 8 January 2009, the Company issued convertible bonds in an aggregate principal amount of HK$409,200,000 at 1% interest per annum payable quarterly. Subject to certain conditions, the bond holders have the right to convert them into ordinary shares of the Company at an initial conversion price of HK$0.66 per share in whole or in part of the principal amount of the convertible bonds in integral multiple of HK$1,000,000 at any time between 8 January 2009 and 7 January 2012. The convertible notes are redeemable on the maturity date (i.e. 8 January 2012) at 100% of its outstanding principal amount together with the accrued interest.

29. CONVERTIBLE BONDS (Continued)

The Group and the Company (Continued)

The convertible bonds contain two components, the liability and the equity components. The equity component is presented in equity as a "convertible bond reserve". The effective interest rate of the liability component is approximately 17.12%.

The movement of the liability component of the convertible bonds for the year is set out below:

	2010 **HK$'000**	2009 HK$'000
Proceeds from issuance of the convertible bonds	**–**	409,200
Equity component *(note 32)*	**–**	(149,802)
Liability component at 1 January/date of issue	**110,254**	259,398
Interest charge *(note 6(a))*	**1,731**	28,869
Interest paid/payable	**(388)**	(2,689)
Conversion of convertible bonds during the year	**(1,765)**	(175,324)
Cancellation of convertible bonds during the year	**(109,832)**	–
Carrying amount at 31 December	**–**	110,254

30. PROMISSORY NOTES

The Group and the Company

	2010 **HK$'000**	2009 HK$'000
At 1 January	**131,687**	–
Issue upon acquisition of subsidiary	**–**	155,514
Interest charge	**23,361**	27,012
	155,048	182,526
Less: Downward adjustment	**–**	(50,839)
At 31 December	**155,048**	131,687

On 8 January 2009, the Company issued promissory notes in an aggregate principal amount of HK$254,400,000 in two tranches. Promissory Note I and II in the principal amount of HK$154,400,000 and HK$100,000,000 respectively have been issued for partial settlement of the consideration payable for the acquisition of subsidiaries (as detailed in note 36(b)). Subject to profit guarantee adjustment, Promissory Note II shall be released to the holder within ten days after the issue of the audited consolidated financial statements of TLT Services (Shanghai) Limited ("TLT Shanghai") for the year ended 31 December 2010. In case the profit guarantee adjustment on the consideration paid exceeds the amount of HK$100,000,000, the holder shall be required to pay the corresponding shortfall to the Company.

The promissory notes are interest-free and transferable. At the sole discretion of the Company, the principal amount of the promissory notes may be repaid before the maturity date (i.e. 8 January 2012) at a 3% discount. Otherwise, payment of principal of the promissory notes shall be made in full upon their date of maturity.

30. PROMISSORY NOTES (Continued)

The Group and the Company (Continued)

The fair value of promissory notes is approximately HK$155,514,000, as at the issue date, calculated based on the effective interest rate of 16.42% per annum. The promissory notes are classified as non-current liabilities and are carried at amortised cost basis until extinguished on redemption. Taking into account the accrued effective interest of approximately HK$23,361,000 (2009: HK$27,012,000, the carrying amount of promissory notes amounted to HK$155,048,000 as at 31 December 2010 after the profit guarantee adjustment. The adjustment made as at 31 December 2009 is approximately HK$50,839,000 of which it is adjusted to the goodwill arising on the acquisition of the subsidiary.

On 15 February 2011, the existing promissory notes were restructured (as detailed in note 2(b)).

31. TAXATION IN THE BALANCE SHEET

(a) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax (assets) / liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation HK$'000	Fair value adjustment on intangible assets HK$'000	Others HK$'000	Total HK$'000
Deferred tax arising from:				
At 1 January 2009	2,903	–	(1,867)	1,036
Acquisition of subsidiaries	–	168,138	–	168,138
Reversal of disposal of discontinued operations	(2,903)	–	1,867	(1,036)
Credited to consolidated income statement	–	(127,640)	–	(127,640)
At 31 December 2009 and 1 January 2010	–	40,498	–	40,498
Credited to consolidated income statement	–	(39,837)	–	(39,837)
At 31 December 2010	–	661	–	661

	2010 HK$'000	2009 HK$'000
Net deferred tax liabilities recognised in the consolidated balance sheet	**661**	40,498

(b) Deferred taxation not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets in respect of tax losses of approximately HK$28,601,000 (2009: HK$12,013,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

32. CAPITAL AND RESERVES

(a) The Company

	Share capital HK$'000	Share premium HK$'000	Convertible bond reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	2,160	36,472	–	–	(21,932)	16,700
Issuance of convertible bonds	–	–	149,802	–	–	149,802
Shares issued upon conversion of convertible bonds	3,923	266,177	(94,776)	–	–	175,324
Shares issued for acquisition of subsidiaries	440	17,600	–	–	–	18,040
Recognition of share-based payment transaction	–	–	–	2,492	–	2,492
Loss for the year	–	–	–	–	(354,258)	(354,258)
At 31 December 2009 and 1 January 2010	6,523	320,249	55,026	2,492	(376,190)	8,100
Shares issued upon conversion of convertible bonds	35	2,576	(846)	–	–	1,765
Cancellation of convertible bonds	–	–	(54,180)	–	–	(54,180)
Issue of placing shares	660	19,140	–	–	–	19,800
Shares issue costs	–	(526)	–	–	–	(526)
Shares issued for acquisition of subsidiaries	541	26,271	–	–	–	26,812
Shares issued upon exercise of share options	205	8,620	–	(1,855)	–	6,970
Recognition of share-based payment transaction	–	–	–	3,529	–	3,529
Loss for the year	–	–	–	–	(133,422)	(133,422)
At 31 December 2010	7,964	376,330	–	4,166	(509,612)	(121,152)

32. CAPITAL AND RESERVES (Continued)

(b) Share capital

	2010 Number of shares '000	2010 Amount HK$'000	2009 Number of shares '000	2009 Amount HK$'000
Authorised:				
Ordinary shares at HK$0.01 each	**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:				
At 1 January	**652,258**	**6,523**	216,000	2,160
Shares issued upon conversion of convertible bonds *(note (i))*	**3,500**	**35**	392,258	3,923
Issue of placing shares *(note (ii))*	**66,000**	**660**	–	–
Shares issued for acquisition of subsidiaries *(note (iii))*	**54,166**	**541**	44,000	440
Shares issued upon exercise of share options *(note (iv))*	**20,500**	**205**	–	–
At 31 December	**796,424**	**7,964**	652,258	6,523

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally regard to the Company's residual assets.

Notes:

(i) On 9 April 2010, the Company issued 3,500,000 ordinary shares of HK$0.01 each at a issue price of HK$0.66 per share (the conversion price), being the convertible bonds with principal amount of HK$2,310,000 converted into the ordinary shares during the exercise period.

(ii) On 20 September 2010, the Company issued 66,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.30 per share by way of top-up placement.

(iii) On 22 October 2010, the Company acquired 51% equity interest in Fountain City and issued 54,166,667 consideration shares of HK$0.01 each credited as fully paid at issue price of HK$0.495 (market price) per share.

(iv) During the year, 20,500,000 share options were exercised at an exercise price of HK$0.34 each, resulting in an issue of 20,500,000 shares of HK$0.01 each, for a total consideration (before expenses) of HK$6,970,000.

32. CAPITAL AND RESERVES (Continued)

(c) Nature and purpose of reserves

(i) *Share premium*

Share premium represents the share premium of the Company, the application of which is governed by section 48B of the Hong Kong Companies Ordinance.

(ii) *Merger reserve*

Merger reserve of the Group represents the difference between the nominal value of shares of subsidiaries acquired over the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group's reorganisation in 2001.

(iii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(u).

(iv) *Statutory reserve*

Transfers from 10% of net profits to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of their registered capital.

The Company's subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

(v) *Asset revaluation reserve*

The asset revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for buildings in note 2(g). The revaluation reserve is not distributable to the equity shareholders of the Company.

(vi) *Convertible bond reserve*

The convertible bond reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 2(m).

(vii) *Share option reserve*

The share option reserve represents the fair value of the share options granted by the Company which are yet to be exercised, and recognised in accordance with the accounting policy adopted for share-based payments in note 2(q)(iii).

32. CAPITAL AND RESERVES (Continued)

(d) Distributable reserves

As at 31 December 2010, there was not any aggregate amount of reserves available for distribution to equity shareholders of the Company (2009: Nil).

33. EMPLOYEE RETIREMENT BENEFITS

(a) The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

(b) Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Retirement Scheme") organised by the relevant local government authorities, whereby the Group as required to make contributions to the Retirement Scheme at 21%-22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees which are calculated based on a certain percentage of the basic payroll.

34. SHARE-BASED PAYMENT TRANSACTION

The company operates a share option scheme (the "Option Scheme") which was adopted on 30 July 2001. Subject to the terms of the Option Scheme, the directors may, at their absolute discretion, invite full-time employees of the Group, including directors of the Company or any of its subsidiaries to take up options to subscribe for shares.

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) at any time under this scheme shall not, when aggregated with any shares subject to any other schemes involving the issue or grant of option over shares by the Company, or for the benefit of the eligible participants, exceed such number of shares as shall represent 10% of the issued share capital of the Company at the adoption date (the "Scheme Mandate Limit"). Options that lapse in accordance with the terms of this scheme will not be counted for the purpose of calculating the Scheme Mandate Limit unless the Company obtains a fresh approval from shareholders to renew the 10% limit provided that the maximum number of shares in respect of which options may be granted under the Option Scheme together with any options outstanding and yet to be exercised under the Option Scheme and any other schemes shall not exceed 30% of the issued shares from time to time.

34. SHARE-BASED PAYMENT TRANSACTION (Continued)

(a) The terms and conditions of the grants that exists as at year end are as follows, whereby all options are settled by physical delivery of shares:

	Number of options		Vesting conditions
	2010	2009	
	'000	'000	
Options granted to directors:			
– 29 June 2009	**6,000**	6,000	No vesting condition
– 4 June 2010	**14,000**	–	No vesting condition
Options granted to employees:			
– 29 June 2009	**3,800**	3,800	No vesting condition
– 4 June 2010	**4,500**	–	No vesting condition
Total share options granted	**28,300**	9,800	

The options granted on 4 June 2010 have a contractual life from 4 June 2010 to 3 June 2020.

The options granted on 29 June 2009 have a contractual life from 29 June 2009 to 28 June 2019.

(b) The number and weighted average exercise prices of share options are as follows:

	2010		2009	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the period	**HK$0.614**	**9,800**	–	–
Granted during the period	**HK$0.340**	**39,000**	HK$0.614	9,800
Exercised during the period	**HK$0.340**	**(20,500)**	–	–
Forfeited during the period	**–**	**–**	–	–
Exercisable at the end of the period	**HK$0.435**	**28,300**	HK$0.614	9,800

The 18,500,000 options and 9,800,000 options outstanding at 31 December 2010 had an exercise price of HK$0.34 and HK$0.614 respectively. Their weighted average remaining contractual life are 9.5 and 8.5 years respectively (2009: 9.5 years).

34. SHARE-BASED PAYMENT TRANSACTION (Continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options grants is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Option Pricing Model.

Fair Value of share options and assumptions

	2010	2009
Fair value at measurement date	**HK$0.091**	HK$0.254
Share price	**HK$0.300**	HK$0.60
Exercise price	**HK$0.340**	HK$0.614
Expected volatility (represents the 52-week weekly volatility)	**67.64%**	110%
Options life	**10 years**	10 years
Expected dividends	**n/a**	n/a
Risk-free interest rate (based on Exchange Fund Note)	**0.38%**	0.11%

The expected volatility is based on the historic volatility (representing the 52-week weekly return on the Company's share). According to the dividend policy of the Company, no dividend yield is adopted in the above valuation. There was no service condition or market condition associated with the share options granted.

35. DISPOSAL OF DISCONTINUED OPERATIONS

	30/6/2009 HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	157,873
Investment properties	1,626
Prepaid lease payments	4,527
Intangible assets	239
Available-for-sale financial assets	862
Inventories	3,058
Trade and other receivables	38,186
Amounts due from non-controlling interest holders	670
Bank balances and cash	36,922
Bank borrowings	(33,793)
Other loan	(582)
Trade and other payables	(128,914)
Amounts due to related companies	(22,252)
Receipts in advance	(8,619)
Government grants	(30,803)
Deferred tax liabilities	(1,036)
Gain on disposal	17,964
Non-controlling interests	(2,709)
Exchange reserve released	(13,749)
Statutory reserve released	(3,174)
Merger reserve released	490
Gain on disposal of discontinued operations	3,110
Total consideration	1,932
Satisfied by:	
Cash	1,932
Net cash outflow arising on disposal:	
Cash consideration	1,932
Bank balances and cash disposed of	(36,922)
	(34,990)

The impact of the Disposal Group on the Group's results and cash flows in the current and prior periods is disclosed in note 11.

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36. ACQUISITION OF SUBSIDIARIES

(a) Acquisition in 2010

On 7 October 2010, Brilliant Reach Investments Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Diwang Limited, an independent third party, to acquire 51% of the issued share capital of Fountain City at a total consideration of HK$34,500,000. Fountain City is principally engaged in investment holding of 100% equity interest in Santos Group Entertainment and Advertising Limited and Macau Talent Academy Limited, which carry on business in the production of entertainment programmes and operation of artist training school respectively. Fountain City also holds 60% equity interest in M & M Entertainment International Company Limited which is principally engaged in the production of entertainment programmes and provision of artist management services. As a result of the acquisition, the Group is expected to diversify its business. The acquisition was completed on 22 October 2010.

The consideration was satisfied by the Group in the following manner:

(i) as to HK$15,000,000 by cash; and

(ii) as to HK$19,500,000 by allotment of 54,166,667 shares of HK$0.01 each in its ordinary share capital at the issue price of HK$0.36 per share. At the completion date, the fair value of the consideration shares totalling HK$26,812,500 is based on HK$0.495 per share, being market price of the shares of the Company as at completion date.

The contingent consideration arrangement grants the Group put options to sell the shares on the condition that the gross profits of the Fountain City Group fall beyond a pre-determined amount at either period.

The first put option allows the Group to sell the shares at HK$41,400,000, should the gross profits for the first 12-month period after the completion date be less than HK$15,000,000.

The second put option allows the Group to sell the shares at HK$58,650,000, if the gross profits for the second 12-month period after the completion date is less than HK$30,000,000.

Goodwill of HK$25,235,000 has arisen from such acquisition, and none of the goodwill recognized is expected to be deductible for income tax purposes. The table in note 36(c) summarises the consideration paid for Fountain City Group and the amount of assets and liabilities assumed to have recognised at the acquisition date, as well as the fair value of the non-controlling interest in Fountain City Group at the acquisition date.

The Fountain City Group contributed revenue of HK$214,000 in the consolidated statement of comprehensive income, and a loss of HK$2,798,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2010, total revenue of the Group for the year would have been changed to HK$30,000,000 and loss for the year would have been changed to HK$197,000,000. The pro-forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

36. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition in 2009

On 23 September 2008, Mega Field International Limited, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Mr. Zhang Weiting ("Mr. Zhang"), an independent third party, to acquire the 65% of the issued share capital of Wisdom In Holdings Limited ("Wisdom In") and 65% of the shareholders' loan being owned by the Index Hong Kong Limited , a wholly-owned subsidiary of Wisdom In to Mr. Zhang for a total consideration of not more than HK$695,000,000. Wisdom In is principally engaged in investment holding of 80% equity interest in TLT Services (Shanghai) Limited which is principally engaged in research and development in network communication software, provision of communication technology services, as well as provision of installation and consulting services for network communication engineering in the PRC.

The consideration was satisfied by the Company in the following manner:

(i) as to HK$26,400,000 by the issue and allotment 44,000,000 of new shares of HK$0.01 each in its ordinary share capital at the issue price of HK$0.60 per share. At the completion date, the fair value of the consideration share is at HK$0.41 per share, being the market price of the share of the Company (note 32);

(ii) as to HK$254,400,000 by the issue of promissory notes (note 30);

(iii) as to HK$409,200,000 by the issue of convertible notes (note 29); and

(iv) as to HK$5,000,000 by cash.

The acquisition was completed on 8 January 2009 upon the approval duly passed by the shareholders at the special general meeting held on 26 November 2008.

Wisdom In and its subsidiaries contributed loss of HK$619,255,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

If the acquisitions had been completed on 1 January 2009, total revenue of the Group for the year would have been changed to HK$22,113,000 and loss for the year would have been changed to HK$636,118,000. The pro-forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

36. ACQUISITION OF SUBSIDIARIES (Continued)

(c) The net assets/(liabilities) acquired in the transaction and the goodwill arising are as follows:

		Acquirees' fair value	
	Notes	**2010 HK$'000**	2009 HK$'000
Assets/(liabilities) acquired			
Intangible assets		**–**	675,242
Property, plant and equipment	*14*	**16**	3,087
Amount due from a non-controlling interest holder		**10**	–
Trade and other receivables		**678**	2,688
Cash and bank balances		**113**	1,018
Trade and other payables		**(256)**	(7,509)
Non-controlling interests		**(34)**	(102,298)
Amount due to a director		**–**	(19,053)
Amount due to related persons		**(995)**	–
Deferred tax liabilities		**–**	(168,138)
		(468)	385,037
Non-controlling interests		**228**	(134,763)
Assignment of current account		**–**	12,631
Deposit for acquisition of exclusive operating licenses		**–**	219,000
Put options granted to the Company	*18*	**16,817**	–
Goodwill	*17*	**25,235**	105,849
Total consideration		**41,812**	587,754
Total consideration satisfied by:			
Cash		**15,000**	5,000
Fair value of the consideration shares as at the completion date		**26,812**	18,040
Convertible bonds		**–**	409,200
Promissory notes at fair value		**–**	155,514
		41,812	587,754

	2010 HK$'000	2009 HK$'000
Net cash outflow in respect of the acquisitions is analysed as follows:		
Consideration settled in cash	**(15,000)**	(5,000)
Deposit paid in prior year	**–**	5,000
Cash and cash equivalents in subsidiaries acquired	**113**	1,018
	(14,887)	1,018

37. FINANCIAL INSTRUMENTS

(A) Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

The Group

Financial assets	2010 Financial assets at fair value through profit or loss HK$'000	2010 Loans and receivables HK$'000	2009 Financial assets at fair value through profit or loss HK$'000	2009 Loans and receivables HK$'000
Derivative financial instruments	**16,817**	**–**	–	–
Trade and other receivables	**–**	**6,507**	–	6,200
Restricted bank deposits	**–**	**1,647**	–	10,000
Cash and cash equivalents	**–**	**4,049**	–	3,419
	16,817	**12,203**	–	19,619

Financial liabilities	2010 Financial liabilities at amortised cost HK$'000	2009 Financial liabilities at amortised cost HK$'000
Bank overdrafts	**–**	10,511
Trade and other payables	**38,895**	6,161
Interest-bearing loan	**–**	28,460
Other long-term payables	**36,211**	25,968
Convertible bonds	**–**	110,254
Promissory notes	**155,048**	131,687
	230,154	313,041

37. FINANCIAL INSTRUMENTS (Continued)

(A) Financial instruments by category (Continued)

The Company

Financial assets	2010 Loans and receivables HK$'000	2009 Loans and receivables HK$'000
Restricted bank deposits	–	10,000
Cash and cash equivalents	778	1
	778	10,001

Financial liabilities	2010 Financial liabilities at amortised cost HK$'000	2009 Financial liabilities at amortised cost HK$'000
Bank overdrafts	–	10,511
Other payables	13,358	2,213
Other long-term payables	–	13,353
Convertible bonds	–	110,254
Promissory notes	155,048	131,687
	168,406	268,018

37. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management

Exposure to credit risk, liquidity risk and market risks arises in the normal course of the Company's business. These risks are mitigated by the Company's financial management policies and practices described below.

(a) Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers. The impairment losses on bad and doubtful debts account are within management's expectation.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group does not have significant concentration of credit risk.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

In respect of deposits with banks, the Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

37. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management (Continued)

(b) Liquidity risk (Continued)

The Group

	2010				2009			
	Carrying amount HK$'000	Total Contractual undiscounted cash flow HK$'000	Within 1 year of on demand HK$'000	More than 1 year but less than 2 years HK$'000	Carrying amount HK$'000	Total Contractual undiscounted cash flow HK$'000	Within 1 year of on demand HK$'000	More than 1 year but less than 2 years HK$'000
Bank overdrafts	–	–	–	–	10,511	10,517	10,517	–
Trade and other payables	38,895	38,895	38,895	–	6,161	6,161	6,161	–
Interest-bearing loan	–	–	–	–	28,460	29,883	–	29,883
Other long-term payables	36,211	36,211	–	36,211	25,968	25,968	–	25,968
Convertible bonds	–	–	–	–	110,254	153,080	1,503	151,577
Promissory notes	155,048	183,376	–	183,376	131,687	183,542	–	183,542
	230,154	258,482	38,895	219,587	313,041	409,151	18,181	390,970

The Company

	2010				2009			
	Carrying amount HK$'000	Total Contractual undiscounted cash flow HK$'000	Within 1 year of on demand HK$'000	More than 1 year but less than 2 years HK$'000	Carrying amount HK$'000	Total Contractual undiscounted cash flow HK$'000	Within 1 year of on demand HK$'000	More than 1 year but less than 2 years HK$'000
Bank overdrafts	–	–	–	–	10,511	10,517	10,517	–
Other payables	13,358	13,358	13,358	–	2,213	2,213	2,213	–
Other long-term payables	–	–	–	–	13,353	13,353	–	13,353
Convertible bonds	–	–	–	–	110,254	153,080	1,503	151,577
Promissory notes	155,048	183,376	–	183,376	131,687	183,542	–	183,542
	168,406	196,734	13,358	183,376	268,018	362,705	14,233	348,472

37. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management (Continued)

(c) Market risk

(i) Currency risk

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. This currency exposure is managed primarily through sourcing raw material denominated in the same currency.

There are no significant monetary balances held by the Group companies as at 31 December 2010 that are denominated in a non-functional currency. Currency risk arises on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, however this is not material to the Group as a whole. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(ii) Interest rate risk

Apart from cash and cash equivalents, the Group has no significant interest-bearing assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Fluctuation of market rates does not have significant impact to operating cash flows.

(d) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of the financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instruments categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable data.

- Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not on based observable market data.

37. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management (Continued)

(d) *Fair values* (Continued)

(i) Financial instruments carried at fair value (Continued)

The Group

	Level 3	
	2010	2009
	HK$'000	HK$'000
Derivative financial instruments		
Put options	**16,817**	–

The movement during the year in the balance of Level 3 fair value measurements is as follows:

The Group

	HK$'000
Derivative financial instruments:	
Put options arising on acquisition of subsidiaries during the year and at 31 December 2010	16,817

(ii) Financial instruments carried at other than fair value

All significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009, except for the balances due to a director, a related company and non-controlling interest holders, which are interest-free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose their fair values.

37. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management (Continued)

(e) Fair value estimation

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Derivative financial instruments

The estimate of the fair value of the put options is measured using the Binomial Option Pricing Model.

38. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

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

The Company manages capital by regularly monitoring its current and expected liquidity requirement rather than using debt/equity ratio analysis.

39. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Contracted but not provided for	**484**	–

39. COMMITMENTS (Continued)

(b) At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year	**5,879**	1,909
Within 5 years and after 1 year	**12,215**	803
After 5 years	**9,478**	–
	27,572	2,712

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 2 to 5 years. The leases did not include any extension options. None of the leases include any contingent rentals.

40. MATERIAL TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(a) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short-term employees benefits	**5,465**	2,513	**4,966**	2,513
Post-employment benefits	**44**	41	**44**	41
Share-based payment	**950**	2,492	**950**	2,492
	6,459	5,046	**5,960**	5,046

Total remuneration is included in "staff costs" (see note 6(b)).

40. MATERIAL TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(b) Other related party balances

Other than those balances disclosed elsewhere in the consolidated financial statements which is unsecured, interest-free and repayable on demand except otherwise stated, the Group has no other balance with related parties as at 31 December 2010 and 2009.

41. ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company's management makes assumptions, estimates and judgements in the process of applying the Company's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRS. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Useful lives of property, plant and equipment and intangible assets

Management determines the estimated useful lives of and related depreciation/amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation/amortisation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Going concern basis

Management makes an assessment of the Group's ability to continue as a going concern when preparing the consolidated financial statements. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date of this report. The degree of consideration depends on the facts in each case.

Management believes that the Group is able to continue as a going concern after taking into account the measures, financial supports and the future profitable operations as detailed in note 2(b). Accordingly, management has prepared the consolidated financial statements on a going concern basis. An adverse change in any of the above conditions would require the financial statements to be prepared on an alternative authoritative basis and such basis, together with the fact that the consolidated financial statements is not prepared on a going concern basis, would need to be disclosed. If the Group was unable to continue as a going concern, adjustments relating to the recoverability and classification of recorded asset amounts or classification of liabilities may need to be incorporated into the consolidated financial statements.

41. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting judgements in applying the Group's accounting policies (Continued)

(iii) Income taxes and deferred taxation

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax and tax in the periods in which such estimate is changed.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Impairment of assets

The Group reviews the carrying amounts of the assets at the end of each reporting date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cashflow to assess the differences between the carrying amount and value in use and provided for impairment loss. In determining the value in use of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rate used, future changes in salaries and future changes in prices affecting other costs. The Group's estimates and assumptions are based on the expectations of future events and are reviewed periodically. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of the impairment loss and affect the Group's net asset value.

An increase or decrease in the above impairment loss would affect the net profit in future years.

(ii) Fair value of derivative financial instruments

Derivative financial instruments of the Group represented put options granted by the vendor of a company acquired by the Group. This requires an initial recognition of the put options at its fair value and subsequent measurement at fair value.

In assessing the fair value of the put options, the Binomial Option Pricing Model was used. This model is one of the generally accepted methodologies used to calculate the fair value of the put options. It requires the input of subjective assumptions. Any changes in these assumptions can significantly affect the estimate of the fair value of the put options.

41. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Sources of estimation uncertainty (Continued)

(iii) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value used in the calculation requires the Group to estimate the future cash flows expected to arise from cash-generated unit and a suitable discount rate in order to calculate the present value.

Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of goodwill is HK$25,235,000.

Details of the recoverable amount calculated are disclosed in note 17.

(iv) Allowance for impairment of bad and doubtful debts

The Group makes allowance for impairment of bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance for impairment of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and allowance for impairment in the period in which such estimate has been changed.

42. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKFRS 9	Financial Instruments	1 January 2013
Improvements to HKFRSs 2010		1 July 2010 or 1 January 2011
Amendments to HKAS 12	Income taxes	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

43. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Acquisition of Dragon Gain Worldwide Limited

On 16 February 2011, the Group entered into a sale and purchase agreement with three independent third parties, pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of Dragon Gain Worldwide Limited ("Dragon Gain"). The total consideration paid for the acquisition of Dragon Gain was HK$41,000,000. Upon completion, Dragon Gain will become a wholly-owned subsidiary of the Group. The acquisition has not been completed up to the date of this report.

Dragon Gain is an investment holding company, incorporated in the British Virgin Islands with limited liability, and held as to 51% of the shares of Creative Works Limited ("Creative Works"). Creative Works is incorporated in Hong Kong with limited liability which owns 100% equity interest in the wholly owned foreign enterprise ("WOFE" or "WFOE") (together with Dragon Gain and Creative Works, the "Target Group 1"). The business of Target Group 1 will be organization, production and management of stage drama worldwide (excluding Japan) including the performance of a famous Chinese novel called "Born to be Hero" (天龍八部) under a non-exclusive license granted to Creative Works by its author Mr. Louis Cha Leung Yung (also known by his pen name as Jin-yung 金庸) for adaption of the novel as stage play to be performed worldwide (excluding Japan) for a period until 31 December 2015.

Details of the transaction were disclosed in the Company's announcements dated 10 January 2011, 16 February 2011 and 22 February 2011 respectively.

(b) Proposed Acquisition of Galaxy Mount International Limited

On 16 December 2010, the Group entered into a non-binding memorandum with an independent three party, in respect of the proposed acquisition of up to 30% issued share capital of Galaxy Mount International Limited ("Galaxy Mount"). Galaxy Mount is a company incorporated in the British Virgin Islands with limited liability which owns 100% equity interest in DOXTV Corporation (Beijing) Limited ("Beijing DOXTV"), which in turn owns 100% equity interest in 天天放送(珠海)商貿有限公司 (together with Galaxy Mount, the "Target Group 2"). The business of Target Group 2 will be operating TV channel, high definition television transmission and its relevant value-added business and ETC value-added in the PRC.

Details of the transaction were disclosed in the Company's announcements dated 16 December 2010, 6 January 2011 and 26 January 2011 respectively.

Save as disclosed above, note 2(b) and elsewhere in this report, no other significant events took place subsequent to 31 December 2010.