Annual Report 2011

TLT LOTTOTAINMENT GROUP LIMITED

彩娛 集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 8022

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 of the Stock Exchange 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.

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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") are engaged in the rendering of travel agent services, entertainment programme production, events organisation, TV-series production, operation of an artist training school and operation of stage drama during the year under review.

The Company has the following principal subsidiaries:

- Xuzhou China International Travel Service Limited*
- Santos Group Entertainment and Advertising Limited
- Macau Talent Academy Limited
- M & M Entertainment International Company Limited
- Creative Works Limited

The Group mainly involves in (1) travel agent services; (2) entertainment programme production and advertising; (3) operation of artist training school in Macau; (4) artist agency service and programme and event production and (5) operation of stage drama.

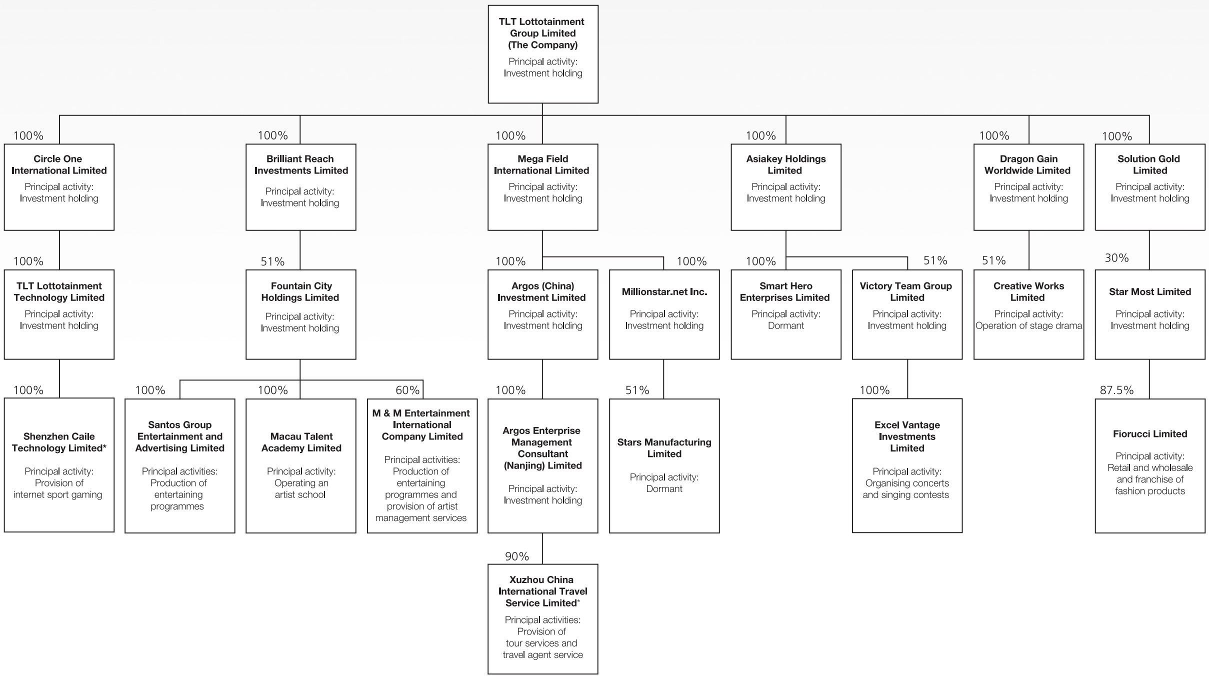
Subsequent to the financial year ended 31 December 2011, following the acquisition of the equity interests in Hong Kong Marketing Service Limited, the Group's principal activities also extend to product advertising and promotion, marketing agency and planning, functional organisation and media project services.

* *For identification purpose only*

CORPORATE STRUCTURE

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

As at 31 December 2011:



* *For identification purpose only*

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Cheung Man Yau, Timothy *(Chief Executive Officer)*
Mr. Lee Chi Shing, Caesar
Mr. Chan Yun Fai
Mr. Au Yeung Yiu Chung
Ms. Cheng Sze Man

Independent Non-executive Directors

Mr. Fung Wai Shing
Mr. Sung Wai Tak, Herman
Mr. Li Kwok Chu

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. Li Kwok Chu

REMUNERATION COMMITTEE

Mr. Fung Wai Shing *(Chairman)*
Mr. Cheung Man Yau, Timothy
Mr. Sung Wai Tak, Herman
Mr. Li Kwok Chu

NOMINATION COMMITTEE

Mr. Li Kwok Chu *(Chairman)*
Mr. Fung Wai Shing
Mr. Sung Wai Tak, Herman

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

Wing Hang Bank, Limited
161 Queen's Road Central
Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712–1716
17th 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

WEBSITE

www.lottotainment.com.hk

STOCK CODE

8022

CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the board (the "Board") of the Directors, I hereby present to the shareholders the Group's annual report for the year ended 31 December 2011.

FINANCIAL HIGHLIGHTS OF 2011 FISCAL YEAR

Turnover of the Group for 2011 was approximately HK$25 million which was increased by 3.4% as compared to approximately HK$24 million in last year. Compared to a loss for the year of HK$175 million in 2010, a loss for the year of HK$111 million was recorded. Loss per share was approximately 24.89 HK cents, compared to a loss of 14.72 HK cents per share in 2010. The Board does not recommend any dividend payment for 2011.

OVERVIEW FOR 2011 OPERATION AND PROSPECT

The Group continues to focus in developing our cultural, media and entertainment business. Since the beginning of this financial year, the Group has been exploring various business development and investment opportunities in the cultural and entertainment business in Hong Kong, Macau and China.

During the year, the Group's businesses have been further diversified by acquiring interest in companies which is involved in Chinese stage drama adopted by a famous Chinese novel "Born to be Hero" (天龍八部) and in the wholesale and retail distribution of fashion products. The stage drama "Born to be Hero" was officially launched at Beijing in mid-December 2011 and response was very positive. This was ascribed to the discontinued effort of our drama production crew and attractiveness of our drama story. We believe that the debut not only signified a milestone of the Group to develop and participate in the fast growing entertainment market in the PRC and other Asian regions but also represented a great step in the Chinese stage drama market in the PRC. Regarding our retail and wholesale sector, we consider that the well known Italian fashion label brand "Fiorucci" can provide synergy effect to our existing businesses which include provision of cross-selling and marketing platform for our artist management, training school and the stage drama businesses and provision of resources for brand building of our Group's entertainment business. Although it's expected that there will be a slowdown in the economy growth of the PRC, we are still optimistic to our retailing and wholesale as well as franchising of our "Fiorucci" business in the PRC as the demand of high quality and international reputation fashion products remains strong in the PRC.

We are undergoing an internal restructuring of our existing entertainment business so as to reduce operating costs. The capital investment in our artists training school is already completed and we believe that our artist training school will soon be granted the education license by respective authorities of Macau SAR. It is expected that enrollment of our training courses will commence in the third quarter of 2012.

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, patience and encouragement, we commit to work hard and to maximize benefits for the Company and shareholders as a whole.

Cheung Man Yau, Timothy
Chief Executive Officer and Executive Director

Hong Kong, 30 March 2012

BUSINESS REVIEW

Entertainment business

The acquisition of Fountain City Holdings Limited in 2010 provides a golden opportunity for the Group to penetrate into the entertainment and artist training industry of Macau which is considered to be a blooming industry in the coming few years. 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 the key operator of our entertainment business provides valuable entertainment segment experience and advices to the Group. Our entertainment business is still in low-pace development and the official school license of our Macau talent academy is in the final stage of approval. Since there's a delay in the granting of the official license of our school and commencement of business, the Group recorded an impairment loss of approximately HK$11 million on the goodwill of this segment. We are optimistic in the future prospects of the business and expect the enrollment will be commenced in the third quarter of 2012.

Stage drama business

With the huge potential market in the stage drama business in the PRC and other Asian regions, the Company acquired 100% equity interest of Dragon Gain Worldwide Limited ("Dragon Gain"), which in turn owns 51% of Creative Works Limited ("Creative Works"). Creative Works is engaged in organization, production and management of stage drama "Born to be Hero" (天龍八部) during the year. The first show was officially launched in Beijing on 15 December 2011 and response was very positive. Since the operation costs in the stage drama business unexpectedly increased by the launch of the drama, the net loss including operating loss, amortization and impairment of intangible assets of this segment reached approximately HK$52 million. The Company is committed to strengthen the cost control policy in this operation. The stage drama will commence to tour-perform in the PRC in 2012.

Travel agency business

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 continues to grow in the PRC and more and more overseas locations are freely open for PRC citizens, we are optimistic in the business growth of our travel agency operation.

Mobile lottery online ("MLO") recharge business (disposed of during the year)

Despite the Group's efforts to improve the performance of the MLO recharge business, the MLO recharge business has been in significant loss position over the past two years. The MLO business which is highly regulated in the PRC faces great difficulties in financial budgeting and estimation. Besides, the regulatory policies in relation to lottery-based online game are unexpectedly stringent to the extent that few number of online games have been approved which resulted in a low level of revenue being able to be generated from the recharge service. In considering the exposure of excessive risk and the uncertain prospect of the MLO recharge business operation, the whole business was disposed of by the Group during the year under review.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31 December 2011, the total assets of the Group was approximately HK$230 million (2010: HK$70 million), including cash and bank balances and restricted bank deposits of approximately HK$39 million (2010: HK$6 million). The gearing ratio of the Group expressed in total debt as a percentage of net assets was nil (2010: Nil).

Charges on Group's Assets

As at 31 December 2011, the Group has not pledged any of its assets (2010: nil) to secure banking facilities to the Group.

Capital Structure

During the year, there were a total of HK$31,920,000 convertible bonds converted into 114,000,000 ordinary shares; 409,000,000 shares were issued under placing agreements and 321,753,606 consideration shares were issued. All these shares were issued before the completion of the share consolidation.

In addition, the Company has carried out a share consolidation during the year, of every five shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidation share of HK$0.05 each in the issued and unissued share capital of the Company, therefore, the number of issued share of the Company was 328,235,569 as at 31 December 2011 and the date of this report.

CAPITAL COMMITMENTS

The details of the capital commitments incurred during the year ended 31 December 2011 are set out in note 39 to the financial statements.

ACQUISITION OF DRAGON GAIN WORLDWIDE LIMITED

On 18 April 2011, the acquisition of 100% equity interest of Dragon Gain Worldwide Limited ("Dragon Gain") was completed. Pursuant to the sale and purchase agreement, the total consideration paid for the acquisition of Dragon Gain was HK$41,000,000, of which HK$2,500,000 was paid by the Company in cash and HK$38,500,000 had been satisfied by the allotment and issue of 145,283,018 new shares of the Company. Dragon Gain owns 51% equity interest in Creative Works Limited which is engaged in 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 license granted by its author Mr. Louis Cha Leung Yung for a period of five years.

Details of the transaction were disclosed in the Company's announcements dated 10 January 2011, 16 February 2011, 22 February 2011, 12 April 2011, 18 April 2011 and 16 December 2011 respectively and the Company's circular dated 24 March 2011.

ACQUISITION OF SOLUTION GOLD LIMITED

On 1 June 2011, the acquisition of 100% equity interest of Solution Gold Limited ("Solution Gold") was completed. Pursuant to the sale and purchase agreement, the total consideration paid for the acquisition of Solution Gold was HK$30,000,000, which was satisfied by the allotment and issue of 176,470,588 new shares of the Company. Solution Gold owns 30% of the issued share capital of Star Most Limited, which in turn owns 65% interest in Stars Excel Limited and 87.5% interest in Fiorucci Limited (the "Star Most Group"). The principal business of the Star Most Group is wholesale, retail distribution and franchising of fashion products, including fashion products under the brand name "Fiorucci".

The Star Most Group has been granted an exclusive right for the use of the Italian fashion label brand "Fiorucci" on or in relation to the marketing and distribution of ladies' wear in Hong Kong, Macau and the PRC. In view of the general state of the retail sector, the number and consumption of visitors in Hong Kong, together with the rapid economic growth and the increasing of brand-conscious consumers in the PRC, the Group's platform in the media and entertainment industry may be utilised to promote the products of the Star Most Group. By utilising our media and entertainment channels in the promotion and marketing of the products of the Star Most Group, we consider that such arrangements would create a synergy effect and benefit to both the business of the Star Most Group and the media and entertainment business of the Group.

Due to the high competitive business environment and sluggish fashion retail segment, the Company made an impairment loss in interests in associates of approximately HK$15 million for this segment for the year 2011.

Details of the acquisition were disclosed in the Company's announcements dated 25 May 2011 and 1 June 2011 respectively.

ACQUISITION OF 25% ISSUED SHARE CAPITAL OF GALAXY MOUNT INTERNATIONAL LIMITED

On 27 April 2011, the Company and a prospective seller entered into a sale and purchase agreement for a potential investment in a paid digital television channel in the PRC. Pursuant to the agreement, the Company has conditionally agreed to acquire 25% of the issued share capital of Galaxy Mount International Limited at a consideration of HK$212,000,000 (the "Galaxy Mount Acquisition"). The Galaxy Mount Acquisition constituted a major transaction for the Company under the GEM Listing Rules.

In view of the prolong time required to obtain the relevant financial information of the target group and there is no concrete schedule when the relevant financial information is made available to the Group, the Company and the prospective seller mutually agreed to terminate the agreement by entering into the termination agreement on 5 August 2011 (the "Termination Agreement"). The Company and the prospective seller have waived their respective rights under the sale and purchase agreement and released the other party from further performance of its/his obligations under the sale and purchase agreement. Pursuant to the termination agreement, the prospective seller shall return the deposit of HK$46,000,000, unsecured and without interest ("Deposit"), in cash to the Company.

On 12 August 2011, the Company and the prospective seller entered into an addendum to the Termination Agreement, pursuant to which the parities thereto confirmed that the Deposit (which bear no interests) shall be returned to the Company in full on or before 10 October 2011 and otherwise without prejudice to other legal rights that the Company may have, the parties shall further negotiate and, subject to mutual agreement, enter into a separate agreement to sort out the deferred repayment arrangement.

By 30 November 2011, the Company announced that two cheques from the prospective seller of an aggregate amount of HK$4,000,000 were received as the partial repayment for the Deposit. The Company strives for the repayment of the remaining HK$42,000,000 of the Deposit from the prospective seller. Up to the date of this report, the Deposit of HK$41,000,000 remains outstanding and the Company has already take legal action against the prospective seller for the repayment of the Deposit. Due to the prolonged discussion in arriving at a repayment schedule, failure to obtain asset as security, default in honouring the instalment payment and uncertainty in the recoverability of the deposit, the Company has made an impairment on the deposit of approximately HK$41,000,000.

Details of the transaction were published in the announcements of the Company dated 16 December 2010, 6 January 2011, 26 January 2011, 27 April 2011, 5 August 2011, 12 August 2011 and 30 November 2011 respectively.

ACQUISITION OF CREATIVE STAR LIMITED

On 14 November 2011, the Group entered into a sale and purchase agreement with independent third party, pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of Creative Star Limited ("Creative Star"). The total consideration paid for the acquisition of Creative Star was HK$20,000,000. The acquisition, which constituted as a major transaction under the GEM Listing Rules, was completed on 28 February 2012. Creative Star become a wholly-owned subsidiary of the Group.

Creative Star is an investment holding company, incorporated in the Republic of Vanuatu with limited liability, and held as to 60% of the shares of Hong Kong Marketing Service Limited ("Hong Kong Marketing"). Hong Kong Marketing is incorporated in Hong Kong with limited liability and engaged in product advertising and promotion, marketing agency and planning, function organization and media project services.

Details of the transaction were disclosed in the Company's announcements dated 14 November 2011, 25 November 2011, 20 January 2012 and 28 February 2012 respectively.

DISPOSAL OF 65% SHAREHOLDING INTEREST IN, AND LOAN DUE FROM, WISDOM IN HOLDINGS LIMITED

On 30 March 2011, Mega Field International Limited ("Mega Field"), a wholly-owned subsidiary of the Company, the Company (as guarantor of Mega Field) and Mr. Au Chi Kong ("Mr. Au"), an independent third party, entered into the disposal agreement pursuant to which Mr. Au agreed to purchase and Mega Field agreed to sell the 1,300 ordinary shares of US$1.00 par value each in the issued share capital of Wisdom In Holdings Limited (the "Disposed Company") and the loan due from the Disposed Company to Mega Field for an aggregate consideration of HK$2,300,000.

The Disposed Company was a 65% owned subsidiary of the Group. The principal business of the Disposed Company and its subsidiaries is the provision of lottery-based mobile online game recharge service. The completion of the Disposal took place on 4 April 2011.

Details of the transaction were published in the Company's announcements dated 30 March 2011 and 4 April 2011 respectively.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations of principal activities for the year ended 31 December 2011 is set out in note 13 to the financial statements.

POST BALANCE SHEET EVENTS

The details of the non-adjusting post balance sheet 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 2011, the Directors are not aware of any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group had 64 (2010: 99) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2011 amounted to approximately HK$14 million (2010: HK$13 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, amended on 2 December 2008 by the shareholders of the Company (the "Old Scheme") under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares of the Company. The Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted on 9 May 2011 by the shareholder of the Company. The purpose of the New Scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

No options have been granted under the New Scheme since its adoption.

Details of the movements in the share options granted and exercised during the year ended 31 December 2011 under the share option scheme are disclosed in the section of "Report of Directors".

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 with.

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 2011 except for the deviations from the Code Provisions A.4.1, A.2.1 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 2011, the Board comprised seven Directors including four executive directors of the Company (the "Executive Directors"), namely Mr. Cheung Man Yau, Timothy, Mr. Chan Kin Yip, Mr. Lee Chi Shing, Caesar and Ms. Cheng Sze Man; and three independent non-executive directors of the Company (the "Independent Non-executive Directors"), namely Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis. While each of Mr. Chan Kin Yip and Mr. Wong Lit Chor, Alexis has resigned as Executive Director and Independent Non-executive Director on 10 March 2012 and 16 March 2012 respectively, and Mr. Chan Yun Fai and Mr. Au Yeung Yiu Chung have been appointed as Executive Directors on 10 March 2012 and Mr. Li Kwok Chu has been appointed as an Independent Non-executive Director on 16 March 2012 to keep the smooth operation. There is no financial, business, family or other material/relevant relationship amongst the Directors.

The Board schedules four meetings a year at approximately quarterly intervals and will be met as necessary. During the year ended 31 December 2011, 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 2011, Mr. Wong Wai Sing acted as the chairman of the Company (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. However, the post of Chairman has been vacant since the resignation of Mr. Wong Wai Sing as the Chairman and Executive Director with effect from 31 May 2011. If candidate with suitable skill and experience is identified within or outside the Group, the Company will make necessary arrangement for the new appointment at appropriate time. 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.

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, Mr. Wong Lit Chor, Alexis, who has resigned on 16 March 2012, and Mr. Li Kwok Chu, who has been appointed as an Independent Non-executive Director on 16 March 2012, are 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 interest of the Company and shareholders as a whole. 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 2011 and up to the date of this annual report are:

Executive Directors

Mr. Cheung Man Yau, Timothy *(Chief Executive Officer)*	
Mr. Lee Chi Shing, Caesar	*(Appointed on 28 October 2011)*
Ms. Cheng Sze Man	*(Appointed on 12 September 2011)*
Mr. Chan Yun Fai	*(Appointed on 10 March 2012)*
Mr. Au Yeung Yiu Chung	*(Appointed on 10 March 2012)*
Mr. Wong Wai Sing *(Chairman)*	*(Resigned on 31 May 2011)*
Mr. Chan Kin Yip	*(Resigned on 10 March 2012)*
Mr. Lai Chun Hung	*(Resigned on 12 September 2011)*
Mr. Cheng Wing Hong	*(Resigned on 11 February 2011)*

Independent Non-executive Directors

Mr. Fung Wai Shing	
Mr. Sung Wai Tak, Herman	
Mr. Li Kwok Chu	*(Appointed on 16 March 2012)*
Mr. Wong Lit Chor, Alexis	*(Resigned on 16 March 2012)*

The attendance of Directors at the Board meetings for the year ended 31 December 2011 is set out as follows:

Name of Directors		Attendance of meeting held
Mr. Cheung Man Yau, Timothy		25/25
Mr. Lee Chi Shing, Caesar	*(Appointed on 28 October 2011)*	3/4
Mr. Cheng Sze Man	*(Appointed on 12 September 2011)*	4/4
Mr. Wong Wai Sing	*(Resigned on 31 May 2011)*	13/15
Mr. Chan Kin Yip	*(Resigned on 10 March 2012)*	25/25
Mr. Lai Chun Hung	*(Resigned on 12 September 2011)*	16/21
Mr. Cheng Wing Hong	*(Resigned on 11 February 2011)*	1/3
Mr. Fung Wai Shing		13/25
Mr. Sung Wai Tak, Herman		19/25
Mr. Wong Lit Chor, Alexis	*(Resigned on 16 March 2012)*	18/25

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 2011, 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 2011 have also been reviewed by the Audit Committee.

As at 31 December 2011, the Audit Committee comprised 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.

As to Mr. Wong Lit Chor, Alexis has resigned as an Independent Non-executive Director and a member of the Audit Committee on 16 March 2012, Mr. Li Kwok Chu has been appointed as an Independent Non-executive Director and a member of the Audit Committee as the replacement.

The attendance of the members of the Audit Committee at Audit Committee meetings for the year ended 31 December 2011 is set out as follows:

Name of Audit Committee Members		Attendance of meeting held
Mr. Fung Wai Shing *(Chairman)*		5/5
Mr. Sung Wai Tak, Herman		5/5
Mr. Wong Lit Chor, Alexis	*(Resigned on 16 March 2012)*	5/5

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 2011, the Remuneration Committee has discussed and formulated the remuneration policies of the Company and determined and reviewed the remuneration of Board members.

As at 31 December 2011, the Remuneration Committee comprised one Executive Director, namely 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.

As to Mr. Wong Lit Chor, Alexis has resigned as an Independent Non-executive Director and a member of the Remuneration Committee on 16 March 2012, Mr. Li Kwok Chu has been appointed as an Independent Non-executive Director and a member of the Remuneration Committee as the replacement.

The attendance of the members of the Remuneration Committee at the Remuneration Committee meetings for the year ended 31 December 2011 is set out as follows:

Name of Remuneration Committee Members		Attendance of meeting held
Mr. Fung Wai Shing *(Chairman)*		4/4
Mr. Cheung Man Yau, Timothy		3/4
Mr. Sung Wai Tak, Herman		4/4
Mr. Wong Wai Sing	*(Resigned on 31 May 2011)*	1/2
Mr. Wong Lit Chor, Alexis	*(Resigned on 16 March 2012)*	4/4

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 New Scheme on 9 May 2011. 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. As at 31 December 2011, the Company has not established a nomination committee as to that the Company considered the small size of the Board.

During the year, the Board 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.

In order to comply with the code provision D1.4. to be effective on 1 April 2012, the Company has established the Nomination Committee on 29 March 2012, the members of the Nomination Committee consists of three Independent Non-executive Directors, namely Mr. Fung Wai Shing, Mr, Sung Wai Tak, Herman and Mr. Li Kwok Chu (Chairman).

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$408,000 to the external auditors for performing the statutory audit work of 2011 of the Group. There is no non-audit service assignment provided by the external auditors during the year.

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 2011 annual general meeting held on 9 May 2011 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.

EXECUTIVE DIRECTORS

Mr. Cheung Man Yau, Timothy ("Mr. Cheung"), aged 54, 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 29 years of extensive experience in management, finance, audit and accounting fields. Mr. Cheung graduated from The University of Hong Kong and had previously worked in a number of international accounting firms. Save as disclosed above, 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. Pursuant to the 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. Lee Chi Shing, Caesar ("Mr. Lee"), aged 48, was appointed as an Executive Director on 28 October 2011. Save as disclosed above, Mr. Lee does not hold any other position with the Company or any of its subsidiaries. Prior to joining the Company, Mr. Lee has obtained a Professional Diploma in Accountancy from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1985 and a Bachelor of Arts in Business Studies from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong) in 1994. He had worked with the Inland Revenue Department for over 15 years after his graduation. In 2000, he joined Ernst and Young, an international accounting firm, as a senior manager. He later obtained a Master degree in International Accountancy from the City University of Hong Kong in 2001. He was an executive director of Tanrich Financial Holdings Limited, a company listed on the main board of the Stock Exchange, from 1 November 2004 to 29 June 2005. He was also an executive director of Info Communication Holdings Limited, a company listed on the GEM, from 23 November 2007 to 1 September 2010. He has been the executive director of (i) Sun International Group Limited, a company listed on the GEM; (ii) Hong Long Holdings Limited, a company listed on the main board of the Stock Exchange, and (iii) Newtree Group Holdings Limited, a company listed on the main board of the Stock Exchange since 14 August 2006, 30 September 2010 and 4 October 2011 respectively. He is experienced in corporate management and internal control. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. In addition, he is a member of the Society of Registered Financial Planners. Save as disclosed above, Mr. Lee 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. Lee and the Company and he is subject to the retirement and rotation requirement as per the articles of association of the Company. Mr. Lee will be entitled of an annual remuneration of HK$120,000.00, which was determined in accordance with Mr. Lee's job duties and position in the Company. Payment of bonus will be determined with reference to the Company's business performance, profitability and market conditions. The amount of remuneration has been approved by the Board and the remuneration committee of the Company.

Ms. Cheng Sze Man ("Ms. Cheng"), aged 34, was appointed as an Executive Director on 12 September 2011. Save as disclosed above, Ms. Cheng does not hold any other position with the Company or any of its subsidiaries. Ms. Cheng holds an Honours Diploma in Accounting from Hong Kong Shue Yan University. She has over 10 years' experience in accounting and auditing. She is currently an internal auditor of a trading company. Save as disclosed above, Ms. Cheng 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 Ms. Cheng and the Company and she is subject to retirement and rotation at the annual general meeting of the Company. Ms. Cheng's remuneration will be determined by the board of Directors with reference to her duties and responsibilities with the Company.

Mr. Chan Yun Fai ("Mr. Chan"), aged 24, was appointed as an Executive Director on 10 March 2012. Save as disclosed above, Mr. Chan does not hold any other position with the Company or any of its subsidiaries. Mr. Chan holds a Bachelor Degree of Science (Actuarial Science) from the Ohio State University, the United States of America. Since his graduation in 2009, he is engaged in the insurance industry and investment immigration works in both Hong Kong and Mainland China and gains extensive experience in insurance and investment field. 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 two years commencing from 10 March 2012 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. Chan is entitled to a monthly salary of HK$15,000.00 plus discretionary bonus, which is determined by reference to the prevailing market conditions and his roles and responsibilities in the Company.

Mr. Au Yeung Yiu Chung ("Mr. Au Yeung"), aged 30, was appointed as an Executive Director on 10 March 2012. Save as disclosed above, Mr. Au Yeung does not hold any other position with the Company or any of its subsidiaries. Mr. Au Yeung graduated from the Hong Kong Polytechnic University with a bachelor of Applied Biology in Biotechnology in 2004. He has over seven years of experience in financial industry. Save as disclosed above, Mr. Au Yeung 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. Au Yeung has entered into a service agreement with the Company for a term of two years commencing from 10 March 2012 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. Au Yeung is entitled to a monthly salary of HK$15,000.00 plus discretionary bonus, which is determined by reference to the prevailing market conditions and his roles and responsibilities in the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sung Wai Tak, Herman ("Mr. Sung"), aged 53, was appointed as an Independent Non-executive Director on 2 January 2001. He is also a member of the Audit Committee, the Remuneration Committee and Nomination 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 was 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.

Mr. Fung Wai Shing ("Mr. Fung"), aged 42, 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 and Nomination Committee. Save as disclosed above, Mr. Fung has not held any positions with the Company or any of its subsidiaries. Mr. Fung graduated from the 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 14 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.

Mr. Li Kwok Chu ("Mr. Li"), aged 55, was appointed as an Independent Non-executive Director on 16 March 2012. He is also a member of the Audit Committee and the Remuneration Committee and the chairman of the Nomination Committee. Save as disclosed above, Mr. Li does not hold any other position in the Company or any of its subsidiaries. Mr. Li, is a chairman and chief executive officer of Pakco Group and has rich experience in administration and management field. Prior to joining Pakco Group, he was the managing director of Pakco Security (HK) Limited. Save as disclosed above, Mr. Li 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. Li 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. Li 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 submit herewith their report together with the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in note 19 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 36 to 37.

The states of affairs of the Group and of the Company as at 31 December 2011 are set out in the consolidated balance sheet and the balance sheet on pages 38 to 40 respectively.

The cash flows of the Group are set out in the consolidated statement of cash flows on pages 42 to 43.

DIVIDENDS

The directors do not recommend any payment of dividend nor transfer of any amount to reserves for the year (2010: Nil).

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				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Re-presented)			
Turnover	**25,480**	24,733	118,493	185,213	185,069
Loss before taxation	**(127,426)**	(21,878)	(764,466)	(70,154)	(12,699)
Gain/(loss) from discontinued operations	**15,621**	(153,269)	3,110	—	—
Taxation	**(5)**	—	125,238	—	(277)
Loss before non-controlling interests	**(111,810)**	(175,147)	(636,118)	(70,154)	(12,976)
Net loss from ordinary activities					
attributable to shareholders	**(68,878)**	(101,335)	(387,060)	(48,262)	(9,119)
attributable to non-controlling interests	**(42,932)**	(73,812)	(249,058)	(21,892)	(3,857)

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**230,324**	69,235	362,943	225,108	213,219
Total liabilities	**(221,041)**	(234,786)	(356,610)	(203,967)	(137,553)
Non-controlling interests	**(344)**	21,047	(53,153)	(6,270)	(25,548)
Shareholders funds	**8,939**	(144,504)	(46,820)	14,871	50,118

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment and intangible assets of the Group during the year are set out in notes 14 and 15 respectively to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2011, 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

Details of movements in the Company's convertible bonds, promissory notes and share capital during the year are set out in notes 27, 29 and 32 respectively to the financial statements.

DONATIONS

No charitable donations was made by the Group during the year (2010: Nil).

DIRECTORS

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

Executive Directors

Mr. Cheung Man Yau, Timothy *(Chief Executive Officer)*	
Mr. Lee Chi Shing, Caesar	*(Appointed on 28 October 2011)*
Ms. Cheng Sze Man	*(Appointed on 12 September 2011)*
Mr. Chan Yun Fai	*(Appointed on 10 March 2012)*
Mr. Au Yeung Yiu Chung	*(Appointed on 10 March 2012)*
Mr. Wong Wai Sing *(Chairman)*	*(Resigned on 31 May 2011)*
Mr. Chan Kin Yip	*(Resigned on 10 March 2012)*
Mr. Lai Chun Hung	*(Resigned on 12 September 2011)*
Mr. Cheng Wing Hong	*(Resigned on 11 February 2011)*

Independent Non-executive Directors

Mr. Fung Wai Shing	
Mr. Sung Wai Tak, Herman	
Mr. Li Kwok Chu	*(Appointed on 16 March 2012)*
Mr. Wong Lit Chor, Alexis	*(Resigned on 16 March 2012)*

In accordance with the Article 121 of the Articles of Association and as at the date of this report, Mr. Sung Wai Tak, Herman 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 and as at the date of this report, Mr. Lee Chi Shing, Caesar, Ms. Cheng Sze Man, Mr. Chan Yun Fai, Mr. Au Yeung Yiu Chung and Mr. Li Kowk Chu shall retire by rotation at the annual general meeting and, being eligible, offer themselves 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 17 to 19 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 2011, 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. Cheung Man Yau, Timothy	Beneficial Owner	—	1,300,000 *(Note)*	0.40%
Mr. Chan Kin Yip *(resigned on 10 March 2012)*	Beneficial Owner	200,000	1,000,000 *(Note)*	0.37%
Mr. Sung Wai Tak, Herman	Beneficial Owner	—	100,000 *(Note)*	0.03%
Mr. Wong Lit Chor, Alexis *(resigned on 16 March 2012)*	Beneficial Owner	—	100,000 *(Note)*	0.03%
Mr. Fung Wai Shing	Beneficial Owner	—	100,000 *(Note)*	0.03%

Note: The share options of the Company have been granted to Directors and employees on 29 June 2009 and/or 4 June 2010 and outstanding as at 31 December 2011.

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

Save as disclosed above, as at 31 December 2011, 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

A share option scheme was adopted on 30 July 2001, amended on 2 December 2008 by the shareholders of the Company (the "Old Scheme") under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares of the Company. The Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted on 9 May 2011 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 New Scheme was adopted for a period of 10 years commencing from 9 May 2011 and will remain in force until 8 May 2021. 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 must 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, no options have been granted under the New Scheme since its adoption.

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).

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 2011 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 2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2011
Directors										
Mr. Cheung Man Yau, Timothy	04/06/2010	–	04/06/2010 to 03/06/2020	HK$1.7*	1,300,000*	–	–	–	–	1,300,000*
Mr. Chan Kin Yip (resigned on 10 March 2012)	29/06/2009	–	29/06/2009 to 28/06/2019	HK$3.07*	600,000*	–	–	–	–	600,000*
	04/06/2010	–	04/06/2010 to 03/06/2020	HK$1.7*	400,000*	–	–	–	–	400,000*
Mr. Cheng Wing Hong (resigned on 11 February 2011)	29/06/2009	–	29/06/2009 to 28/06/2019	HK$3.07*	300,000*	–	–	(300,000)*	–	–
	04/06/2010	–	04/06/2010 to 03/06/2020	HK$1.7*	100,000*	–	–	(100,000)*	–	–
Mr. Sung Wai Tak, Herman	29/06/2009	–	29/06/2009 to 28/06/2019	HK$3.07*	100,000*	–	–	–	–	100,000*
Mr. Wong Lit Chor, Alexis (resigned on 16 March 2012)	29/06/2009	–	29/06/2009 to 28/06/2019	HK$3.07*	100,000*	–	–	–	–	100,000*
Mr. Fung Wai Shing	29/06/2009	–	29/06/2009 to 28/06/2019	HK$3.07*	100,000*	–	–	–	–	100,000*
Other Employees	29/06/2009	–	29/06/2009 to 28/06/2019	HK$3.07*	760,000*	–	–	(460,000)*	–	300,000*
	04/06/2010	–	04/06/2010 to 03/06/2020	HK$1.7*	1,900,000*	–	–	(200,000)*	–	1,700,000*
In aggregate					5,660,000*	–	–	(1,060,000)*	–	4,600,000*

* The Company has made adjustment to the outstanding share options in accordance with the share consolidation approved by the shareholders of the Company on 18 October 2011. The details have been published on the Company's announcement dated 20 October 2011.

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

On 28 March 2011, an aggregate principal amount of HK$60,000,000 of the convertible bonds was issued to Premier Capital Enterprises Limited at the conversion price of HK$0.28 with the maturity date falling on the second anniversary of the date of the issue of the convertible bonds. During the year ended 31 December 2011, an aggregate principal amount of HK$31,920,000 of the convertible bonds have been converted into 114,000,000 ordinary shares of the Company. As at 31 December 2011, an aggregate principal amount of HK$28,080,000 convertible bonds was outstanding. Following the share consolidation of the Company's shares with effect from 19 October 2011, the conversion price of the convertible bonds has been adjusted to HK$1.4.

Details of the above convertible bonds have been published on the Company's announcements dated 15 February 2011, 23 March 2011, 28 March 2011 and 20 October 2011 respectively and the Company's circular dated 7 March 2011.

SHARE CONSOLIDATION AND ISSUE OF HK$50 MILLION CONVERTIBLE BONDS

The share consolidation, of every five shares of HK$0.01 each in the issued and unissued share capital of the Company consolidated into one consolidation share of HK$0.05 each in the issued and unissued share capital of the Company (the "Share Consolidation") became effective on 19 October 2011. Upon the Share Consolidation has been effective, the existing authorised share capital of the Company is HK$100,000,000 divided into 2,000,000,000 consolidated shares, of which 328,235,569 consolidated shares has been issued and fully paid or credited as fully paid. The board lot size has also been adjusted from 2,000 shares to 5,000 consolidated shares.

As a result of the Share Consolidation of the Company (i) the exercise prices of the options; (ii) the number of Shares to be allotted and issued in respect of the Options; and (iii) the conversion prices of the existing convertible notes were adjusted with effect from 19 October 2011. The details of the above adjustment have been disclosed in the Company's announcement dated 20 October 2011.

On 28 October 2011, an aggregate principal amount of HK$50,000,000 of the convertible bonds was issued to Sun Finance Co., Ltd. at the conversion price of HK$0.30 per conversion share with the maturity date falling on the sixth month of the date of the issue of the convertible bonds or, at the discretion of the Company, extend the maturity date falling twelve months from the issue date. Assuming full conversion of the convertible bonds at the conversion price of HK$0.30 per conversion share, a total of 166,666,666 conversion shares will be allotted and issued, but there is no conversion share has been issued as at the date of this report.

Details of the above Share Consolidation and issue of HK$50 million convertible bonds have been published on the Company's circular dated 3 October 2011 and its announcements dated 8 August 2011, 23 August 2011, 29 August 2011, 8 September 2011, 16 September 2011, 28 September 2011, 30 September 2011, 18 October 2011, 20 October 2011 and 28 October 2011 respectively.

DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES

(1) On 16 February 2011, a sale and purchase agreement was entered into between the Company and Mr. Tang Tsz Hoo Anthony, Mr. Chan Chui Man and Mr. Yeung Wai Bo (collectively, the "Vendors") pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell 1,000 shares of Dragon Gain Worldwide Limited ("Dragon Gain") (the "Dragon Gain Acquisition") at a consideration of HK$41,000,000, of which HK$2,500,000 was paid by the Company in cash on 10 January 2011 pursuant to the memorandum of understanding entered into between Dragon Gain and the Company and HK$38,500,000 was satisfied by the allotment and issue of the 145,283,018 new shares of the Company to the Vendors. On 12 April 2011, an ordinary resolution was passed by the shareholders of the Company to, among others, approve the agreement above and grant a specific mandate to the Directors to issue and allot the consideration shares. The completion of Dragon Gain Acquisition took place on 18 April 2011 and a total of 145,283,018 consideration shares have been issued to the Vendors.

(2) On 25 May 2011, the Company and Mr. Lui Bing Kin, Michael ("Mr. Lui") entered into the sale and purchase agreement pursuant to which the Company has conditionally agreed to purchase (or procure the purchase of), and Mr. Lui has agreed to sell the entire share capital of the Solution Gold Limited (the "Solution Gold Acquisition") for an aggregate consideration of HK$30,000,000, which shall be satisfied by allotment and issue of 176,470,588 new shares of the Company under the general mandate granted to the Directors at the annual general meeting of the Company held on 9 May 2011, credited as fully paid, to Mr. Lui. The completion of Solution Gold Acquisition took place on 1 June 2011 at which a total of 176,470,588 consideration shares have been allotted and issued to Mr. Lui and his nominees pursuant to the terms of the above agreement.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme referred to above, at no time during the year ended 31 December 2011 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 2011, 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 Shareholders	Capacity and nature of interests	Number of ordinary shares and underlying shares held	Percentage of the Company's issued share capital
Mr. Luk Wing Kwong, Quintin	Beneficial Owner	54,536,800	16.62%
	Interest of Corporation Controlled	8,816,000 *(Note 1)*	2.69%
Mr. Lam Ho Laam	Interest of Corporation Controlled	20,816,342 *(Notes 2 and 3)*	6.34%
Premier Capital Enterprises Limited	Beneficial Owner	20,816,342 *(Notes 2 and 3)*	6.34%

Notes:

1. Best Investment (Far East) Limited is a company wholly and beneficially owned by Mr. Luk Wing Kwong, Quintin and Mr. Luk Wing Kwong, Quintin is therefore deemed to be interested in 8,816,000 shares held by Best Investment (Far East) Limited pursuant to Part XV of the SFO.

2. The 20,816,342 shares consist of convertible notes which can be converted into 20,057,142 shares of the Company, which has been adjusted in accordance with the share consolidation approved by the shareholders on 18 October 2011.

3. Premier Capital Enterprises Limited is a company wholly and beneficially owned by Mr. Lam Ho Laam and Mr. Lam Ho Laam is therefore deemed to be interested in 20,816,342 shares, which has been adjusted in accordance with the share consolidation approved by the shareholders on 18 October 2011 held by Premier Capital Enterprises Limited pursuant to Part XV of the SFO.

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

Save as disclosed above, as at 31 December 2011, the Directors or chief executives of the Company were not aware of any party who had an interest or short position in the shares or 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.

CONTINUING CONNECTED TRANSACTIONS

On 11 February 2011, Fountain City Holdings Limited ("Fountain City") (a 51% owned subsidiary of the Company) entered into (i) the lease agreement dated 11 February 2011 with Ms. Bibi Mariam Maria Cordero ("Ms. Cordero") for the leasing of the premises for a term of 2 years from 1 March 2011 up to and including 28 February 2013 (the "First Tenancy Agreement"); (ii) the second tenancy agreement dated 11 February 2011 with True Regent International Limited ("True Regent") for the leasing of another premises for a term of 2 years from 1 March 2011 up to and including 28 February 2013 (the "Second Tenancy Agreement"); and (iii) the lease agreement (the "Equipment Rental Agreement") with True Regent for the leasing of certain audio and video equipment and instruments for a term of 2 years from 1 March 2011 up to and including 28 February 2013. Due to the restructuring of entertainment business, the First Tenancy Agreement, Second Tenancy Agreement and the Equipment Rental Agreement were terminated on 30 September 2011 as agreed by both parties.

True Regent is a company principally engaged in entertainment business and its entire issued share capital is wholly and beneficially owned by Ms. Cordero and her spouse. Ms. Cordero is the chairman, chief executive officer and a director of Fountain City. Ms. Cordero is also beneficially interested in 50% of the issued share capital of Diwang Limited which is the remaining 49% shareholder of Fountain City. Accordingly, Ms. Cordero and True Regent are connected persons of the Company under the GEM Listing Rules. The transactions contemplated under the First Tenancy Agreement, the Second Tenancy Agreement and the Equipment Rental Agreement therefore constitute continuing connected transactions for the Company under the GEM Listing Rules and shall be aggregated together for the purpose of classification in accordance with Rule 20.25 of the GEM Listing Rules.

Details of the transactions were published in the Company's announcement dated 11 February 2011.

The foresaid continuing connected transaction has been reviewed by independent non-executive directors. The independent non-executive directors confirmed that the continuing connected transaction set out in above was entered into: (1) in the ordinary and usual course of business of the Company; (2) either on normal commercial terms or on terms no less favorable to the Company than terms available to or from independent third parties; and (3) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.38 of the GEM Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the above transactions.

Save as disclosed herein were no other transactions required to be disclosed as connected transactions and/or continuing connected transactions in accordance with the requirements of the GEM Listing Rules.

CONNECTED AND RELATED PARTY TRANSACTIONS

Save as disclosed in this report, there were no other transactions which need to be disclosed as connected in accordance with the requirements of the GEM Listing Rules during the year ended 31 December 2011.

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

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities except (i) the issue of 94,000,000 shares at a price of HK$0.32 per placing shares by way of top-up placing on 6 January 2011; (ii) the issue of 64,000,000 shares at a price of HK$0.295 per placing shares by way of top-up placing on 25 January 2011; (iii) the issue of 100,000,000 shares at a price of HK$0.295 per placing shares by way of top-up placing on 13 April 2011; (iv) the issue of 65,000,000 shares at a price of HK$0.245 per placing shares by way of top-up placing on 12 May 2011; (v) the issue of 321,753,606 consideration shares as disclosed under the section "Discloseable Transaction Involving Issue of Consideration Shares"; and (vi) the issue of 86,000,000 shares at a price of HK$0.10 per placing shares by way of top-up placing on 18 August 2011.

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 2011, 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.

AUDITORS

The financial statements of the Company for the year ended 31 December 2009 were audited by Messrs. CCIF CPA Limited while Messrs. Ting Ho Kwan & Chan audited the financial statements of the Company for the years ended 31 December 2010 and 2011. 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, 30 March 2012

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

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249-253 Des Voeux Road Central
Hong Kong

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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)

REPORT ON THE FINANCIAL STATEMENTS

We were engaged to audit the consolidated financial statements of TLT Lottotainment Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 36 to 124, which comprise the consolidated and Company balance sheets as at 31 December 2011, the consolidation 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 information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of 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 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 consolidated 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. Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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 assurance as to whether the consolidated financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION — IMPAIRMENT ASSESSMENT OF INVESTMENT DEPOSIT

As explained in note 22 to the consolidated financial statements, included in trade and other receivables as at 31 December 2011 was outstanding balance of amount advanced to an independent third party of HK$42,000,000 as an investment deposit before provision for impairment being made. Impairment loss of HK$41,000,000 was recognised for the year ended 31 December 2011 for this investment deposit. We have not been provided with sufficient information and explanation to enable us to assess the recoverability of the outstanding balance of aforesaid deposit refundable from that third party and as to whether the amount of the impairment loss determined by the directors of the Company was reasonable. There were no other satisfactory audit procedures that we could adopt to understand and assess whether the impairment loss provided is adequate but not excessive.

DISCLAIMER OF OPINION

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the impairment loss of the investment deposit:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of account had been kept.

Ting Ho Kwan & Chan
Certified Public Accountants (Practising)

Hong Kong, 30 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	**2011 HK$'000**	2010 HK$'000 (Re-presented)
Continuing operations			
Turnover	4 & 13	**25,480**	24,733
Cost of service		**(42,076)**	(22,388)
Gross (loss)/profit		**(16,596)**	2,345
Other income and gain, net	5	**423**	19,890
Gain on fair value changes on derivative financial instruments		**76,180**	—
Operating and administrative expenses		**(42,264)**	(18,909)
Impairment loss on investment deposit		**(41,000)**	—
Impairment loss on associates		**(15,428)**	—
Impairment loss on intangible assets		**(46,364)**	—
Impairment loss on goodwill		**(10,906)**	—
Loss on early redemption of promissory notes		**(2,979)**	—
Loss on restructuring of promissory notes		**(5,570)**	—
Provision for onerous contracts		**(1,052)**	—
(Loss)/profit from operations		**(105,556)**	3,326
Finance costs	6(a)	**(19,999)**	(25,204)
Share of losses of associates		**(780)**	—
Share of losses of jointly controlled entities		**(1,091)**	—
Loss before taxation	6	**(127,426)**	(21,878)
Taxation	7	**(5)**	—
Loss after taxation from continuing operations		**(127,431)**	(21,878)
Discontinued operations			
Gain/(loss) from discontinued operations	11	**15,621**	(153,269)
Loss for the year		**(111,810)**	(175,147)
Attributable to:			
Equity shareholders of the Company	10		
— From continuing operations		**(84,676)**	(19,901)
— From discontinued operations		**15,798**	(81,434)
		(68,878)	(101,335)
Non-controlling interests			
— From continuing operations		**(42,756)**	(1,977)
— From discontinued operations		**(176)**	(71,835)
		(42,932)	(73,812)
Loss for the year		**(111,810)**	(175,147)
(Loss)/earning per share	12		
From continuing and discontinued operations			
Basic		**(24.88 cents)**	(14.72 cents)
Diluted		**(24.88 cents)**	(14.72 cents)
From continuing operations			
Basic		**(30.59 cents)**	(2.89 cents)
Diluted		**(30.59 cents)**	(2.89 cents)
From discontinued operations			
Basic		**5.71 cents**	(11.83 cents)
Diluted		**5.71 cents**	(11.83 cents)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (Re-presented)
Loss for the year	**(111,810)**	(175,147)
Other comprehensive income/(expense) for the year (after tax and reclassification adjustment)		
Exchange differences on translation of financial statements of overseas subsidiaries	**(255)**	(713)
Exchange reserve released upon disposal of discontinued operations	**4,725**	—
Other comprehensive income/(expense) for the year	**4,470**	(713)
Total comprehensive expense for the year	**(107,340)**	(175,860)
Attributable to:		
Equity shareholders of the Company	**(64,392)**	(101,898)
Non-controlling interests	**(42,948)**	(73,962)
Total comprehensive expense for the year	**(107,340)**	(175,860)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	14	**8,265**	3,193
Intangible assets	15	**49,458**	8,832
Goodwill	16	**14,329**	25,235
Derivative financial instruments	17	**85,997**	16,817
Investment deposits	18	**5,000**	—
Interests in associates	20	**14,501**	—
Interests in jointly controlled entities	21	**409**	—
		177,959	54,077
Current assets			
Inventories		**—**	18
Trade and other receivables	22	**13,536**	9,444
Restricted bank deposits	23	**1,728**	1,647
Cash and cash equivalents	24	**37,101**	4,049
		52,365	15,158
Current liabilities			
Trade and other payables	25	**52,163**	42,866
Finance lease payables	26	**309**	—
Convertible bonds	27(a)	**50,000**	—
Provision for onerous contracts		**1,052**	—
		(103,524)	(42,866)
Net current liabilities		**(51,159)**	(27,708)
Total assets less current liabilities		**126,800**	26,369
Non-current liabilities			
Finance lease payable	26	**906**	—
Other long-term payables	28	**—**	36,211
Convertible bonds	27(b)	**24,505**	—
Derivative financial instruments	17	**211**	—
Promissory notes	29	**91,895**	155,048
Deferred tax liabilities	30	**—**	661
		(117,517)	(191,920)
NET ASSETS/(LIABILITIES)		**9,283**	(165,551)

	Note	**2011** **HK$'000**	2010 HK$'000
CAPITAL AND RESERVES			
Share capital	32	**16,412**	7,964
Reserves		**(7,473)**	(152,468)
Total equity attributable to equity shareholders of the Company		**8,939**	(144,504)
Non-controlling interests		**344**	(21,047)
TOTAL EQUITY		**9,283**	(165,551)

Approved and authorised for issue by the board of directors on 30 March 2012.

Cheung Man Yau, Timothy
Director

Au Yeung Yiu Chung
Director

The accompanying notes form part of these financial statements.

BALANCE SHEET

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	14	**91**	209
Derivative financial instruments	17	**38,919**	—
Investment deposits	18	**5,000**	—
Interest in subsidiaries	19	**57,835**	46,261
		101,845	46,470
Current assets			
Other receivables and deposit paid	22	**5,147**	6
Cash and cash equivalents	24	**34,726**	778
		39,873	784
Current liabilities			
Other payables	25	**4,119**	13,358
Convertible bonds	27(a)	**50,000**	—
		(54,119)	(13,358)
Net current liabilities		**(14,246)**	(12,574)
Total assets less current liabilities		**87,599**	33,896
Non-current liabilities			
Convertible bonds	27(b)	**24,505**	—
Derivative financial instrument	17	**211**	—
Promissory notes	29	**91,895**	155,048
		(116,611)	(155,048)
NET LIABILITIES		**(29,012)**	(121,152)
EQUITY AND RESERVES			
Share capital	32	**16,412**	7,964
Reserves	31	**(45,424)**	(129,116)
TOTAL EQUITY		**(29,012)**	(121,152)

Approved and authorised for issue by the board of directors on 30 March 2012.

Cheung Man Yau, Timothy
Director

Au Yeung Yiu Chung
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity shareholders of the Company											
	Share capital HK$'000	Share premium HK$'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 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 expense 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 a 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 and 1January 2011	7,964	376,330	(3,915)	53	–	–	4,166	44	(529,146)	(144,504)	(21,047)	(165,551)
Loss for the year	–	–	–	–	–	–	–	–	(68,878)	(68,878)	(42,932)	(111,810)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	(239)	–	–	–	–	–	–	(239)	(16)	(255)
Exchange reserve released upon disposal of discontinued operations	–	–	4,725	–	–	–	–	–	–	4,725	–	4,725
Total comprehensive expense for the year	–	–	4,486	–	–	–	–	–	(68,878)	(64,392)	(42,948)	(107,340)
Issue of placing shares	4,090	96,323	–	–	–	–	–	–	–	100,413	–	100,413
Issuance of convertible bonds	–	–	–	–	–	25,090	–	–	–	25,090	–	25,090
Share issued upon conversion of convertible bonds	1,140	37,475	–	–	–	(13,348)	–	–	–	25,267	–	25,267
Deemed contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	6,078	6,078
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	–	10	10
Share issued for acquisition of subsidiaries	3,218	64,535	–	–	–	–	–	–	–	67,753	–	67,753
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	44,921	44,921
Changes in the ownership interests in subsidiaries that do not result in a loss of control	–	–	(18)	–	–	–	–	(670)	–	(688)	683	(5)
Disposal of discontinued operations	–	–	–	–	–	–	–	–	–	–	12,647	12,647
Share options lapsed	–	–	–	–	–	–	(1,102)	–	1,102	–	–	–
At 31 December 2011	16,412	574,663	553	53	–	11,742	3,064	(626)	(596,922)	8,939	344	9,283

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Loss before taxation		
From continuing operations	**(127,426)**	(21,878)
From discontinued operations	**15,615**	(193,106)
Adjustments for:		
Depreciation	**1,602**	1,334
Property, plant and equipment written off	**812**	5
Inventories written off	**18**	—
Gain on disposal of discontinued operations	**(16,671)**	—
Gain on fair value changes on derivative financial instruments	**(76,180)**	—
Impairment loss on intangible assets	**46,364**	142,292
Impairment loss on goodwill	**10,906**	—
Impairment loss on investment deposits	**41,000**	—
Impairment loss on associates	**15,428**	—
Amortisation of prepaid lease payments	**—**	18
Amortisation of intangible assets	**6,256**	36,398
Loss on disposal of property, plant and equipment	**—**	1,360
Loss on early redemption of promissory notes	**2,979**	—
Loss on restructuring of promissory notes	**5,570**	—
Gain on cancellation of convertible bonds	**—**	(17,892)
Gain on waiver of interest payable	**—**	(1,439)
Share of losses on associates	**780**	—
Share of losses on jointly controlled entities	**1,091**	—
Allowance for impairment of doubtful debts	**1,000**	—
Equity-settled share-based payment expenses	**—**	3,529
Provision for onerous contracts	**1,052**	—
Interest income	**(20)**	(6)
Finance costs	**20,007**	25,229
Operating loss before changes in working capital	**(49,817)**	(24,156)
Increase in inventories	**—**	(17)
Increase in trade and other receivables	**(48,732)**	(661)
Decrease in trade and other payables	**29,459**	16,370
Cash used in operations	**(69,090)**	(8,464)
Tax paid		
PRC Enterprise Income Tax	**(5)**	—
Net cash used in operating activities	**(69,095)**	(8,464)

	Notes	2011 HK$'000	2010 HK$'000
Investing activities			
Payment for purchase of property, plant and equipment		**(7,727)**	(573)
Proceeds from disposal of property, plant and equipment		**43**	737
Proceeds from disposal of prepaid lease payments		**—**	776
Payment for purchase of intangible assets		**(9,850)**	(643)
Payments for investment in jointly controlled entities		**(1,500)**	—
Interest received		**20**	6
Disposal of discontinued operations, net inflow of cash		**1,961**	—
Acquisition of subsidiaries, net outflow of cash		**(2,500)**	(14,887)
Payment for investment deposit		**(5,000)**	—
Net cash used in investing activities		**(24,553)**	(14,584)
Financing activities			
Repayment of other loans		**(8,218)**	—
Proceeds from issuance of convertible bonds		**50,000**	—
Repayment of promissory notes		**(15,000)**	—
Repayment of finance leases		**(226)**	—
Proceeds from issuance of shares, net of share issue costs		**100,413**	26,244
(Increase)/decrease in restricted bank deposits		**(81)**	8,353
Interest paid		**(250)**	(525)
Further interest in subsidiaries		**(5)**	—
Capital injection by non-controlling interests		**10**	—
Net cash generated from financing activities		**126,643**	34,072
Net increase in cash and cash equivalents		**32,995**	11,024
Cash and cash equivalents at 1 January	24	**4,049**	(7,092)
Effect of foreign exchange rate changes		**57**	117
Cash and cash equivalents at 31 December	24	**37,101**	4,049

Note for Non-cash transaction:

(a) During the year, the Group entered into a finance lease arrangement in respect of property, plant and equipment with the total capital value at the inception of the leases of HK$1,441,000.

(b) During the year, the Group acquired certain subsidiaries by way of allotment and issue of the new shares of the Company as part of the consideration for the acquisition. Details of the transaction are set out in the note 36 to the financial statements.

(c) During the year, the Group entered into an agreement with the holder of promissory notes to which convertible bonds with principal amount of HK$60,000,000 was issued to the holder of promissory notes as repayment of existing promissory note in the sum of HK$61,855,670. Details of the transaction are set out in the note 29 to the financial statements.

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.

The Company is an investment holding company. Its subsidiaries are principally engaged in investment holding, the provision of tourist routes and tour related service, and entertainment programme production and advertising, operation of artist training school and provision of artist agency services. The newly acquired subsidiaries are principally engaged in operation of stage drama.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with 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.

The preparation of financial statements in conformity with 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") requires the use of certain critical accounting estimates.

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 2011 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 policies 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 also 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 2011. The Group incurred a consolidated net loss from operations attributable to equity shareholders of the Company of approximately HK$68,878,000 for the year ended 31 December 2011, and had consolidated net current liabilities of approximately HK$51,159,000 as at 31 December 2011. 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 realise 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:

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

(2) The holder of the promissory note and convertible bonds of the Company has agreed not to demand repayment until the Company has sufficient fund for repayments;

(3) The Company is successful in obtaining a revolving credit line from two authorised financial institutions in Hong Kong; and

(4) Based on a cashflow forecast prepared by the Group's management for the twelve months ending 31 December 2012, the Group will be able to generate 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 2011 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 to current 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(k)).

(d) Associates and jointly controlled entities

An associate is an entity, not being a subsidiary or a joint venture, over which the Group has significant influence but not control or joint control, over its management, including participation in the financial and operating policy decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates and jointly controlled entities (Continued)

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for using the equity method, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or jointly controlled entity, unless it is classified as held for sale or included in a disposal group held for sale. The Group's share of the post-acquisition, post-tax results of the associate or jointly controlled entity for the year, including any impairment loss on goodwill relating to the investment in associate or jointly controlled entity recognised for the year are recognised in the income statement whereas the Group's share of the post-acquisition post-tax items of the associate's or jointly controlled entity's other comprehensive income is recognised in the statement of comprehensive income.

When the Group's share of losses of an associate or a jointly controlled entity equals to or exceeds its interest in the associate or the jointly controlled entity, the Group discontinues recognising its share of further losses. The interest in an associate or a jointly controlled entity is the carrying amount of the investment in the associate or the jointly controlled entity under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate or the jointly controlled entity. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity.

Unrealised profits and losses resulting from the Group's transactions with the associate or the jointly controlled entity are eliminated to the extent of the Group's relevant interests in the associate or the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case losses are recognised immediately in profit or loss for the impairment.

The impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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(k)).

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.

(f) 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(u)(v) and 2(u)(vi).

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(k)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in equity securities (Continued)

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date 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(u)(v) 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(u)(vi). When these investments are derecognised or impaired (see note 2(k)), 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.

(g) 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.

(h) 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(k)).

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 asset 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

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(w)).

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.

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
—	Drama equipment	1 year
—	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.

(i) 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(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(k)). 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(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill) (Continued)

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
—	Royalties	over the royalty period
—	Brand name	over the licensing period

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.

(j) 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(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k). 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(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.

(k) Impairment of assets

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

Investments in equity securities (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 investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 2 (c) and (d))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

— 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

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

— 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.

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; and
— goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

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.

— 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(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(k)(i) and 2(k)(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.

(l) 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.

(m) 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(k)), 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Convertible bonds

Convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

Convertible bonds that contain an equity component

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

Convertible bonds that do not contain an equity component

Conversion bonds that is classified as financial liability at fair value through profit or loss are re-measured at the end of each reporting period subsequent to initial recognition with changes in fair value recognised directly in profit or loss in the period in which they arise.

(o) Promissory notes

Promissory notes are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

(p) 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(t)(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)

(q) 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.

(r) 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 account 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)

(s) 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)

(s) 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.

(t) 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(t)(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)

(t) 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.

(u) 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 travel agent services

Revenue from travel agent services is recognised when the related services are provided.

(iii) Revenue from stage drama tickets sales

Revenue from stage drama tickets sales and touring is recognised when the tickets are sold.

(iv) Revenue from entertainment programme production and advertising

Revenue from entertainment programme production and advertising is recognised when the related services are rendered.

(v) 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.

(vi) Interest income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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.

(w) 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.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of Group or the Group's parent;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group or which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(y) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) 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 a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Company and the Group. Of these, the following developments are relevant to be the Group's financial statements:

HKAS 24 (Revised 2009)	Related party disclosures
Improvements to HKFRSs (2010)	
HK(IFRIC) 19	Extinguishing financial liabilities with equity instruments
Amendment to HK(IFRIC)-Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement

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

The amendments to HK(IFRIC)-Int 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction.

The impacts of the above development are discussed below:

- **HKAS 24 (revised 2009)**

  HKAS 24 (Revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (Revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

- **Improvements to HKFRSs (2010)**

  Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 37 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

The adoption of the other new or revised HKFRS has no material effect on how the results and financial position for the current or prior accounting periods have been prepared or presented.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period (see note 42).

4. TURNOVER

The Group's turnover comprises the provision of travel agent services, artists management services and operation of stage drama. The Group ceased the business of provision of lottery-based mobile on-line game recharging services following the disposal of the subsidiaries on 4 April 2011 as set out in note 11. The amount of each significant category of revenue recognised in turnover during the year is analysed as follows:

	2011 **HK$'000**	2010 HK$'000
Continuing operations		
— Artists management income	**1,179**	214
— Revenue from travel agent services	**24,176**	24,519
— Revenue from stage drama	**125**	—
	25,480	24,733
Discontinued operations		
— Mobile recharging service income *(note 11)*	**152**	941
	152	941
	25,632	25,674

5. OTHER INCOME AND GAIN, NET

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other income						
Interest income from banks	**20**	4	**–**	2	**20**	6
Sundry income	**403**	1,994	**–**	4	**403**	1,998
	423	1,998	**–**	6	**423**	2,004
Gain, net						
Gain on waiver of interest payable *(note (i))*	**–**	–	**–**	1,439	**–**	1,439
Gain on cancellation of convertible bonds	**–**	17,892	**–**	–	**–**	17,892
	–	17,892	**–**	1,439	**–**	19,331
	423	19,890	**–**	1,445	**423**	21,335

Note:

(i) During the year ended 31 December 2010, an unsecured loan with interest-bearing at 5% per annum was assigned by an independent third party to a non-controlling interest equity holder. Upon completion of such assignment of debt, the accrued interest was waived and consequently treated as other income.

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	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	**—**	—	**—**	97
Interest on promissory notes	**15,761**	23,361	**—**	—	**15,761**	23,361
Interest on convertible bond	**2,398**	1,731	**—**	—	**2,398**	1,731
Interest on finance lease	**63**	—	**—**	—	**63**	—
Others	**179**	15	**8**	25	**187**	40
Total interest expense on financial liabilities not at fair value through profit or loss	**18,401**	25,204	**8**	25	**18,409**	25,229
Interest on convertible bond	**1,598**	—	**—**	—	**1,598**	—
Interest expense on financial liabilities at fair value through profit or loss	**1,598**	—	**—**	—	**1,598**	—
	19,999	25,204	**8**	25	**20,007**	25,229
(b) Staff costs (including directors' remuneration)						
Termination payment	**—**	—	**—**	121	**—**	121
Contributions to defined contribution retirement plans	**219**	88	**—**	—	**219**	88
Equity-settled share-based payment expenses	**—**	3,530	**—**	—	**—**	3,530
Social security costs	**562**	483	**43**	675	**605**	1,158
Salaries, wages and other benefits	**13,389**	8,588	**298**	4,743	**13,687**	13,331
	14,170	12,689	**341**	5,539	**14,511**	18,228

6. LOSS BEFORE TAXATION (Continued)

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

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(c) Other items						
Amortisation						
— prepaid lease payments	**—**	18	**—**	—	**—**	18
Depreciation						
— leased assets	**202**	—	**—**	—	**202**	—
— own assets	**988**	197	**412**	1,137	**1,400**	1,334
Auditors' remuneration						
— current year	**408**	320	**—**	—	**408**	320
— under-provision in respect of prior years	**—**	200	**—**	—	**—**	200
Operating lease charges in respect of property rentals: minimum lease payments	**4,913**	1,133	**156**	2,745	**5,069**	3,878
Cost of inventories sold	**—**	51	**—**	—	**—**	51
Property, plant and equipment written off	**812**	5	**—**	—	**812**	5
Inventories written off	**18**	—	**—**	—	**18**	—
Allowance for impairment of doubtful debt	**1,000**	—	**—**	—	**1,000**	—
Loss on disposal of property, plant and equipment	**—**	15	**—**	1,345	**—**	1,360
Loss on disposal of prepaid lease payments	**—**	27	**—**	—	**—**	27
Amortisation of intangible assets	**6,064**	88	**192**	36,310	**6,256**	36,398

7. TAXATION IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax						
Provision of PRC Enterprise Income Tax for the year	**5**	—	**—**	—	**5**	—
Deferred tax *(note 30(a))*						
Origination and reversal of temporary differences	**—**	—	**(6)**	(39,837)	**(6)**	(39,837)
	5	—	**(6)**	(39,837)	**(1)**	(39,837)

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 2011 and 2010. 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% (2010: 25%).

7. TAXATION IN THE CONSOLIDATED INCOME STATEMENT (Continued)

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

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss before taxation	**(127,426)**	(21,878)	**15,615**	(193,106)	**(111,811)**	(214,984)
Tax calculated at the applicable rates in the tax jurisdictions concerned	**(22,160)**	(3,606)	**2,490**	(48,130)	**(19,670)**	(51,736)
Tax effect on non-deductible expenses	**33,954**	6,337	**299**	44,963	**34,253**	51,300
Tax effect of non-taxable income	**(12,802)**	(3,346)	**(2,789)**	(365)	**(15,591)**	(3,711)
Tax effect of unused tax losses not recognised	**994**	615	**—**	3,532	**994**	4,147
Tax effect of temporary differences unrecognised for the year	**19**	—	**—**	—	**19**	—
Tax effect on reversal of deferred tax liability	**—**	—	**(6)**	(39,837)	**(6)**	(39,837)
Actual tax expense/(credit)	**5**	—	**(6)**	(39,837)	**(1)**	(39,837)

8. DIRECTORS' REMUNERATION

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

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Share based payment *(note viii)*	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011:					
Executive Directors					
Wong Wai Sing *(note i)*	**50**	**900**	**5**	**—**	**955**
Cheung Man Yau, Timothy	**120**	**1,560**	**12**	**—**	**1,692**
Chan Kin Yip *(note ii)*	**—**	**1,170**	**12**	**—**	**1,182**
Lee Chi Shing, Caesar *(note iii)*	**20**	**—**	**—**	**—**	**20**
Cheng Sze Man *(note iv)*	**36**	**—**	**—**	**—**	**36**
Lai Chun Hung *(note v)*	**83**	**107**	**5**	**—**	**195**
Cheng Wing Hong *(note vi)*	**—**	**248**	**2**	**—**	**250**
Independent Non-executive Directors					
Sung Wai Tak, Herman	**50**	**—**	**—**	**—**	**50**
Wong Lit Chor, Alexis *(note vii)*	**50**	**—**	**—**	**—**	**50**
Fung Wai Shing	**50**	**—**	**—**	**—**	**50**
	459	**3,985**	**36**	**—**	**4,480**
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 v)*	8	—	—	—	8
Cheng Wing Hong *(note vi)*	—	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 *(note vii)*	50	—	—	—	50
Fung Wai Shing	50	—	—	—	50
	386	4,580	44	950	5,960

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 and resigned as Chairman and Executive Director on 31 May 2011.
(ii) Resigned as Executive Director on 10 March 2012.
(iii) Appointed as Executive Director on 28 October 2011.
(iv) Appointed as Executive Director on 12 September 2011.
(v) Appointed as Executive Director on 8 December 2010 and resigned as Executive Director on 12 September 2011.
(vi) Resigned as Executive Director on 11 February 2011.
(vii) Resigned as Independent Non-executive Director on 16 March 2012.
(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(r)(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 2011 and 2010 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 2011 and 2010.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of the five individuals with the highest emoluments, three (2010: three) are Directors, whose emoluments are disclosed in note 8. The aggregate of the emoluments for the five individuals are as follows:

	2011 **HK$'000**	2010 HK$'000
Salaries and other emoluments	**6,685**	5,224
Retirement scheme contributions	**44**	44
Share-based payments	**—**	950
	6,729	6,218

The emoluments of two (2010: two) individuals with the highest emoluments are within the following band:

	2011 **Numbers of individuals**	2010 Numbers of individuals
Nil to HK$1,000,000	**1**	2
HK$1,000,000 to HK$2,000,000	**1**	—

There was no amount paid during the years ended 31 December 2011 and 2010 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$126,383,000 (2010: loss of HK$133,422,000) which has been dealt with in the financial statements of the Company.

11. GAIN/(LOSS) FROM DISCONTINUED OPERATIONS

Pursuant to an agreement dated 30 March 2011 entered into between a wholly-owned subsidiary of the Company, Mega Field International Limited ("Mega Field") and an independent third party (the "Purchaser"), Mega Field disposed of its 65% equity interest in Wisdom In Holdings Limited, which principally engaged in the lottery-based mobile online recharge services, to the Purchaser at a consideration of HK$2,300,000.

The disposal was completed on 4 April 2011 and the Group discontinued its lottery-based mobile online recharge business.

The results of the discontinued operations for the period from 1 January 2011 to 4 April 2011, which have been included in the consolidated income statement, were as follows:

	From 1 January 2011 to 4 April 2011 HK$'000	For the year ended 31 December 2010 HK$'000
Turnover *(note 4)*	**152**	941
Cost of sales	**(120)**	(824)
Gross profit	**32**	117
Other income and gain, net *(note 5)*	**—**	1,445
Operating and administrative expenses	**(1,055)**	(16,041)
Amortisation of intangible assets	**(25)**	(36,310)
Impairment loss on intangible assets	**—**	(142,292)
Finance costs *(note 6(a))*	**(8)**	(25)
Loss before taxation from discontinued operations	**(1,056)**	(193,106)
Taxation *(note 7(a))*	**6**	39,837
Loss after taxation from discontinued operations	**(1,050)**	(153,269)
Gain on disposal of discontinued operations *(note 35)*	**16,671**	—
Gain/(loss) from discontinued operations recognised in the consolidated income statement	**15,621**	(153,269)
Cash flows from discontinued operations:		
Net cash (used in)/generated from operating activities	**(1,846)**	859
Net cash generated from/(used in) investing activities	**2,316**	(395)
Net cash generated from/(used in) financing activities	**1,491**	(2,022)
Net cash inflow/(outflow)	**1,961**	(1,558)

12. (LOSS)/EARNING 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$68,878,000 (2010: HK$101,335,000) and the weighted average of 276,755,000 (2010: 688,215,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2011	2010
	'000	'000
Issued ordinary shares at 1 January	**796,424**	652,258
Effect of issue of consideration shares	**205,276**	10,388
Effect of conversion of convertible bonds	**84,925**	2,551
Effect of issue of placing of shares	**297,152**	18,443
Effect of shares issued upon exercise of share options	**—**	4,575
	1,383,777	688,215
Effect of share consolidation	**(1,107,022)**	—
Weighted average number of ordinary shares at 31 December	**276,755**	688,215

The diluted loss per share for the years ended 31 December 2011 and 2010 is equal to the basic loss per share as the outstanding convertible bonds and share options were anti-dilutive.

(b) From continuing operations

Basic loss per share for the continuing operations in 2011 and 2010 is calculated based on the loss from the continuing operations of HK$84,676,000 (2010: HK$19,901,000) and the denominators used are the same as those detailed above at (a).

The diluted loss per share from continuing operations for the years ended 31 December 2011 and 2010 is equal to the basic loss per share as the outstanding convertible bonds and share options were anti-dilutive.

(c) From discontinued operations

Basic earning per share for the discontinued operations is calculated based on the profit from the discontinued operations of HK$15,798,000 (2010: loss of HK$81,434,000) and the denominators used are the same as those detailed above at (a).

The diluted earning/(loss) per share from the discontinued operations for the years ended 31 December 2011 and 2010 is equal to the basic earning/(loss) per share as the outstanding convertible bonds and share options were anti-dilutive.

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 2011, the Group had four business segments, namely (i) mobile lottery on-line recharging services, (ii) travel agent services, (iii) entertainment and (iv) stage drama.

— 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 the 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 the 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.

— Stage drama: this segment engaged in the stage drama tickets sales. Currently the Group's activities in this regard are carried out in the PRC.

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.

	2011						
	Continuing operations					Discontinued operations	
	Travel agent services HK$'000	Entertainment HK$'000	Stage Drama HK$'000	Unallocated head office HK$'000	Sub-total HK$'000	Mobile lottery on-line recharging services HK$'000	Total HK$'000
Revenue							
Reportable segment revenue	24,176	1,179	125	–	25,480	152	25,632
Elimination of inter-segment revenue	–	–	–	–	–	–	–
Consolidated turnover	24,176	1,179	125	–	25,480	152	25,632
Profit							
Reportable segment (loss)/profit	(483)	(12,149)	(13,861)	–	(26,493)	(444)	(26,937)
Elimination of inter-segment profits	–	–	–	–	–	–	–
Reportable segment loss derived from the Group's external customers	(483)	(12,149)	(13,861)	–	(26,493)	(444)	(26,937)
Other income and gain, net	1	–	–	422	423	–	423
Depreciation and amortisation	(161)	(678)	(6,249)	(166)	(7,254)	(604)	(7,858)
Finance costs	–	–	(169)	(19,830)	(19,999)	(8)	(20,007)
Impairment loss on non-current assets	–	–	(46,364)	–	(46,364)	–	(46,364)
Gain on disposal of discontinued operation	–	–	–	–	–	16,671	16,671
Unallocated head office and corporate expenses	–	–	–	(27,738)	(27,738)	–	(27,738)
Consolidated loss before taxation	(643)	(12,827)	(66,643)	(47,312)	(127,425)	15,615	(111,810)

13. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

	2010						
	Continuing operations					Discontinued operations	
	Travel agent services HK$'000	Entertainment HK$'000	Stage Drama HK$'000	Unallocated head office HK$'000	Sub-total HK$'000	Mobile lottery on-line recharging services HK$'000	Total HK$'000
Revenue							
Reportable segment revenue	24,519	214	—	—	24,733	941	25,674
Elimination of inter-segment revenue	—	—	—	—	—	—	—
Consolidated turnover	24,519	214	—	—	24,733	941	25,674
Profit							
Reportable segment (loss)/profit	512	(2,798)	—	—	(2,286)	(11,616)	(13,902)
Elimination of inter-segment profits	—	—	—	—	—	—	—
Reportable segment (loss)/profit derived from the Group's external customers	512	(2,798)	—	—	(2,286)	(11,616)	(13,902)
Other income and gain, net	3	—	—	19,887	19,890	1,445	21,335
Depreciation and amortisation	(197)	(17)	—	(71)	(285)	(37,447)	(37,732)
Finance costs	(1)	—	—	(25,203)	(25,204)	(25)	(25,229)
Impairment loss on non-current assets	—	—	—	—	—	(142,292)	(142,292)
Unallocated head office and corporate expenses	—	—	—	(13,993)	(13,993)	(3,171)	(17,164)
Consolidated loss before taxation	317	(2,815)	—	(19,380)	(21,878)	(193,106)	(214,984)

13. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

	2011						
	Continuing operations					Discontinued operations	
	Travel agent services HK$'000	Entertainment HK$'000	Stage Drama HK$'000	Unallocated head office HK$'000	Sub-total HK$'000	Mobile lottery on-line recharging services HK$'000	Total HK$'000
Assets							
Reportable segment assets	7,280	6,943	53,448	—	67,671	—	67,671
Elimination of inter-segment receivable	—	—	—	—	—	—	—
	7,280	6,943	53,448	—	67,671	—	67,671
Non-current financial assets	—	47,078	38,919	—	85,997	—	85,997
Goodwill	—	14,329	—	—	14,329	—	14,329
Unallocated head office and corporate assets	—	—	—	62,327	62,327	—	62,327
Consolidated total assets	7,280	68,350	92,367	62,327	230,324	—	230,324
Liabilities							
Reportable segment liabilities	(3,233)	(20,347)	(24,528)	—	(48,108)	—	(48,108)
Elimination of inter-segment payable	—	—	—	—	—	—	—
	(3,233)	(20,347)	(24,528)	—	(48,108)	—	(48,108)
Deferred tax liabilities	—	—	—	—	—	—	—
Unallocated head office and corporate liabilities	—	—	—	(172,933)	(172,933)	—	(172,933)
Consolidated total liabilities	(3,233)	(20,347)	(24,528)	(172,933)	(221,041)	—	(221,041)

13. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

	2010						
	Continuing operations					Discontinued operations	
	Travel agent services HK$'000	Entertainment HK$'000	Stage Drama HK$'000	Unallocated head office HK$'000	Sub-total HK$'000	Mobile lottery on-line recharging services HK$'000	Total HK$'000
Assets							
Reportable segment assets	8,090	3,621	—	—	11,711	13,180	24,891
Elimination of inter-segment receivable	—	—	—	—	—	—	—
	8,090	3,621	—	—	11,711	13,180	24,891
Non-current financial assets	—	16,817	—	—	16,817	—	16,817
Goodwill	—	25,235	—	—	25,235	—	25,235
Unallocated head office and corporate assets	—	—	—	2,292	2,292	—	2,292
Consolidated total assets	8,090	45,673	—	2,292	56,055	13,180	69,235
Liabilities							
Reportable segment liabilities	(4,552)	(6,834)	—	—	(11,386)	(197,881)	(209,267)
Elimination of inter-segment payable	—	—	—	—	—	—	—
	(4,552)	(6,834)	—	—	(11,386)	(197,881)	(209,267)
Deferred tax liabilities	—	—	—	—	—	(661)	(661)
Unallocated head office and corporate liabilities	—	—	—	(24,858)	(24,858)	—	(24,858)
Consolidated total liabilities	(4,552)	(6,834)	—	(24,858)	(36,244)	(198,542)	(234,786)

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$'000	Drama equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2010	506	2,123	2,824	—	2,253	7,706
Exchange adjustments	6	50	92	—	39	187
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)
At 31 December 2010	—	1,412	3,460	—	566	5,438
Representing:						
Cost	—	1,412	3,460	—	566	5,438
At 1 January 2011	—	1,412	3,460	—	566	5,438
Exchange adjustments	—	19	41	11	21	92
Additions	—	3,729	914	3,328	1,197	9,168
Disposals	—	—	(64)	—	—	(64)
Disposal of subsidiaries	—	(980)	(2,243)	—	(196)	(3,419)
Write-off	—	(1,028)	(60)	—	—	(1,088)
At 31 December 2011	—	3,152	2,048	3,339	1,588	10,127
Representing:						
Cost	—	3,152	2,048	3,339	1,588	10,127
Accumulated depreciation and impairment:						
At 1 January 2010	—	116	1,048	—	625	1,789
Exchange adjustments	—	10	43	—	11	64
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)
At 31 December 2010	—	454	1,606	—	185	2,245
At 1 January 2011	—	454	1,606	—	185	2,245
Exchange adjustments	—	6	28	1	8	43
Charge for the year	—	769	360	277	196	1,602
Disposal of subsidiaries	—	(493)	(1,173)	—	(65)	(1,731)
Written back on disposals	—	—	(21)	—	—	(21)
Written back on write-off	—	(233)	(43)	—	—	(276)
At 31 December 2011	—	503	757	278	324	1,862
Carrying amount:						
At 31 December 2011	—	2,649	1,291	3,061	1,264	8,265
At 31 December 2010	—	958	1,854	—	381	3,193

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

(a) Motor vehicles and equipment of net book value of approximately HK$1,437,000 as at 31 December 2011 are held under finance lease (2010: Nil).

The Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:			
At 1 January 2010, 31 December 2010 and 1 January 2011	186	209	395
Write-off	(108)	(39)	(147)
At 31 December 2011	78	170	248
Accumulated depreciation and impairment:			
At 1 January 2010	37	113	150
Charge for the year	8	28	36
At 31 December 2010 and 1 January 2011	45	141	186
Charge for the year	10	38	48
Write-off	(38)	(39)	(77)
At 31 December 2011	17	140	157
Carrying amount:			
At 31 December 2011	61	30	91
At 31 December 2010	141	68	209

15. INTANGIBLE ASSETS

The Group

	Exclusive operating licenses HK$'000	TMP platform HK$'000	Travel agency licenses HK$'000	Artistic-related right HK$'000	Total HK$'000
Cost:					
1 January 2010	801,448	5,000	870	—	807,318
Exchange adjustments	—	191	31	—	222
Additions	—	643	—	—	643
At 31 December 2010 and 1 January 2011	801,448	5,834	901	—	808,183
Exchange adjustments	—	58	45	—	103
Addition through acquisition of subsidiaries *(note 36(a))*	—	—	—	91,668	91,668
Additions	—	—	—	9,850	9,850
Disposal of subsidiaries	(801,448)	(5,892)	—	—	(807,340)
At 31 December 2011	—	—	946	101,518	102,464
Accumulated amortisation and impairment loss:					
1 January 2010	619,539	619	443	—	620,601
Exchange adjustments	—	42	18	—	60
Charge for the year	35,502	808	88	—	36,398
Impairment loss	139,642	2,650	—	—	142,292
At 31 December 2010 and 1 January 2011	794,683	4,119	549	—	799,351
Exchange adjustments	—	16	29	—	45
Charge for the year	25	167	92	5,972	6,256
Disposal of subsidiaries	(794,708)	(4,302)	—	—	(799,010)
Impairment loss	—	—	—	46,364	46,364
At 31 December 2011	—	—	670	52,336	53,006
Carrying amount:					
At 31 December 2011	—	—	276	49,182	49,458
At 31 December 2010	6,765	1,715	352	—	8,832

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 exclusive operating licenses were disposed of through the disposal of discontinued operation on 4 April 2011.

(b) TMP Platform represents Tanglu Mobile Payment Platform of which to provide e-payment and e-recharge services to lottery-based mobile online game subscribers. The TMP Platform was disposed of through the disposal of discontinued operations on 4 April 2011.

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

15. INTANGIBLE ASSETS (Continued)

The Group (Continued)

(d) Artistic-related right represents stage drama developed by the Company's subsidiary, Creative Works Limited ("Creative Works"), under a non-exclusive license for adaption of a famous Chinese novel called "Born to be Hero" (天龍八部) as stage drama to be performed worldwide (excluding Japan) for a period until 31 December 2015, which is granted by its author Mr. Louis Cha Leung Yung (also known by his pen name as Jin-Yung 金庸). The stage drama in development was acquired by the Group through acquisition of its title owner, Creative Works, during the year. Internal development costs incurred for the stage drama have been capitalised after acquisition. The asset is amortised on a straight-line basis over its remaining royalty period of 51 months from the date of its completion of development.

At 31 December 2011, the directors of the Company reviewed the carrying values of the stage drama, taking into account an independent valuation report prepared by a professional valuer. Based on the assessment and the valuation report, the directors are of the opinion that an impairment loss HK$46,364,000 should be provided in profit or loss.

16. GOODWILL

The Group

	2011 **HK$'000**	2010 HK$'000
Cost:		
At 1 January	**131,465**	106,230
Arising on acquisition of subsidiaries *(note 36(c))*	**—**	25,235
Disposal of discontinued operations	**(106,230)**	—
At 31 December	**25,235**	131,465
Accumulated impairment losses:		
At 1 January	**106,230**	106,230
Written back on disposal of discontinued operations	**(106,230)**	—
Impairment loss for the year	**10,906**	—
At 31 December	**10,906**	106,230
Carrying amount:		
At 31 December	**14,329**	25,235

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generation unit ("CGU") that are expected to benefit from that business combination. After recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2011 **HK$'000**	2010 HK$'000
Entertainment related industry	**14,329**	25,235

16. GOODWILL (Continued)

The Group (Continued)

The recoverable amount of the CGU is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discounts rates, growth rates and budgeted gross margin and turnover during the period. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. 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 growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 13.74%.

The goodwill as at 31 December 2011 was arising on the acquisition of 51% equity interest in Fountain City Holdings Limited in 2010 and the details are set out in note 36(c). At 31 December 2011, the directors of the Company reviewed the carrying values of the goodwill, taking into account an independent valuation report prepared by a professional valuer. Based on the assessment and the valuation report, the directors are of the opinion that an impairment loss HK$10,906,000 should be provided in profit or loss.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		**The Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Put options				
At 1 January	**16,817**	—	**—**	—
Arising on acquisition of subsidiaries during the year	**7,104**	16,817	**7,104**	—
Changes in fair value	**62,076**	—	**31,815**	—
At 31 December	**85,997**	16,817	**38,919**	—
Call option				
At 1 January	**—**	—	**—**	—
Arising on acquisition of subsidiaries during the year	**(14,315)**	—	**(14,315)**	—
Changes in fair value	**14,104**	—	**14,104**	—
At 31 December	**(211)**	—	**(211)**	—

17. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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 option lapsed during the year. The Group is also 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.

Upon completion of acquisition of Dragon Gain Worldwide Limited and its subsidiaries (collectively as "Dragon Gain Group") on 1 June 2011, the Group has been granted a call option by the vendor, whereby the Company is entitled to exercise its right at its sole discretion to sell to the vendors all of the equity interests in Dragon Gain Group owned by the Company at HK$49,200,000. The option is exercisable only when the consolidated net profit of Dragon Gain Group is less than HK$25 million ("Profit Guarantee") for the period from 1 July 2011 to 30 June 2013. The Company has also granted a call option to the vendors, whereby the vendors are entitled to exercise their right at their discretion to purchase in aggregate not more than 49% in shares of Dragon Gain Worldwide Limited. The option is exercisable as at the date immediately after three months of the expiry of the Profit Guarantee period. The call option price shall not exceed HK$55 million.

17. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Valuation of the options

The 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 options as at 31 December 2011 were as follows:

	Arising on acquisition of Fountain City Group	Arising on acquisition of Dragon Gain Group	
	Put option	**Put option**	**Call option**
Annualised volatility	58.7%	51.2%	51.2%
Underlying asset value at date of valuation (HK$'000)	11,363	10,125	10,125
Risk free rate	0.44%	0.33%	0.33%
Dividend yield	0%	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 options.

18. INVESTMENT DEPOSITS

The Group and the Company

	2011 HK$'000	2010 HK$'000
Investment deposits	**5,000**	—

Note:

On 14 November 2011, the Group entered into a sale and purchase agreement to acquire entire issued share capital of Creative Star Limited. The total consideration was HK$20 million in which HK$5 million was paid as refundable deposit upon signing of the agreement. The acquisition was completed subsequent to the year end on 28 February 2012.

19. INTERESTS IN SUBSIDIARIES

The Company

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**77,464**	—
Amounts due from subsidiaries *(note (i))*	**496,286**	475,181
	573,750	475,181
Less: Impairment loss	**(515,915)**	(428,920)
	57,835	46,261

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.

19. 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
Millionstar.net Inc	British Virgin Islands	1 ordinary share of US$1 each	100%	–	100%	Investment holding
Stars Manufacturing Limited	Hong Kong	10,000 ordinary shares of HK$1 each	51%	–	51%	Dormant
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	100%	–	100%	Investment holding
Shenzhen Caile Technology Limited 深圳彩樂科技有限公司 *(note i)*	PRC	Registered capital of RMB100,000	100%	–	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	50,000 ordinary shares of US$1 each	51%	–	51%	Investment holding
Santos Group Entertainment and Advertising Limited	British Virgin Islands	5 ordinary shares of US$1 each	51%	–	100%	Production of entertainment programmes and advertisement

19. INTERESTS IN SUBSIDIARIES (Continued)

The Company (Continued)

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
Macau Talent Academy Limited	Macau	Registered capital of MOP$2,500,000	51%	—	100%	Operation of artist training school in Macau
M & M Entertainment International Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	30.6%	—	60%	Production of entertainment programmes and provision of artist management services
Asiakey Holdings Limited	British Virgin Island	1 ordinary share of US$1 each	100%	100%	—	Investment holdings
Smart Hero Enterprises Limited	British Virgin Island	1 ordinary share of US$1 each	100%	—	100%	Dormant
Dragon Gain Worldwide Limited	British Virgin Island	100 ordinary shares of US$1 each	100%	100%	—	Investment holdings
Creative Works Limited	Hong Kong	1,000 ordinary shares of HK$1 each	51%	—	51%	Operation of stage drama
Chuang Meng Chang (Beijing) Cultural Development Co., Limited *(note iii)*	PRC	Registered capital of RMB1,000,000	51%	—	51%	Operation of stage drama
Solution Gold Limited	British Virgin Island	1 ordinary share of US$1 each	100%	100%	—	Investment holdings

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) The current PRC laws and regulations limit the provision of cultural business by companies with foreign ownership, which include activities and services operated by these companies. In order to enable the Company to make investment in the cultural business in the PRC, the equity interests of this company are held by individual nominees on behalf of the Group and certain contractual agreements have been effectuated among this company, its registered owner and cash flow to the effect that the operating and financial decisions of this company is effectively controlled by the Company. As a result of the contractual agreements, this company is accounted for as subsidiary of the Company for accounting purposes.

20. INTERESTS IN ASSOCIATES

	The Group	
	2011	2010
	HK$'000	HK$'000
Cost of investment in associates, unlisted		
— Acquisition of associates through acquisition of a subsidiary (note 36(b))	**30,709**	—
Share of post-acquisition losses	**(780)**	—
	29,929	—
Less: Impairment loss	**(15,428)**	—
	14,501	—

(a) Interests in associates at 31 December 2011 include goodwill of HK$15,281,000.

(b) Details of principal associates at 31 December 2011 are as follows:

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
Star Most Limited	Hong Kong	10,000 ordinary shares of HK$1 each	30%	—	30%	Investment holding
Fiorucci Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	26.25%	—	26.25%	Retail and wholesale and franchise of fashion products

(c) The following table illustrates the summarised financial information of the Group's associates extracted from their audited financial statements for the year ended 31 December 2011:

	2011
	HK$'000
Assets	**1,284**
Liabilities	**15,500**
Revenues	**1,194**
Losses	**8,344**

20. INTERESTS IN ASSOCIATES (Continued)

(d) At 31 December 2011, the directors of the Company reviewed the carrying values of the associates, taking into account an independent valuation report prepared by a professional valuer. Based on the assessment and the valuation report, the directors are of the opinion that an impairment loss HK$15,428,000 should be provided in the consolidated income statement.

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**1,500**	—
Share of post-acquisition losses	**(1,091)**	—
	409	—

(a) Details of the jointly controlled entities at 31 December 2011 are as follows:

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
Victory Team Group Limited	British Virgin Islands	100 ordinary shares of US$1 each	51%	—	51%	Investment holdings
Excel Vantage Investments Limited	Hong Kong	1 ordinary share of HK$1 each	51%	—	51%	Organising concerts and singing concerts

Notwithstanding the Company's subsidiary has greater than 50 per cent equity interest in the jointly controlled entities, the Group does not have control over the board of the jointly controlled entities. According to the shareholders agreement, the jointly controlled entities are under common control by the shareholders.

The summarised financial information of the jointly controlled entities has not been disclosed as the amount is insignificant.

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**306**	220	**–**	–
Amount due from a non-controlling interest holder *(note 40(c))*	**32**	10	**–**	–
Amounts due from affiliated companies of a non-controlling interest holder *(note 40(c))*	**17**	17	**–**	–
Other receivables	**2,928**	3,500	**–**	–
Advance to a consultancy company *(note a)*	**4,000**	–	**4,000**	–
Investment deposit refundable *(note b)*	**1,000**	–	**1,000**	–
Rental and other deposits	**2,958**	2,760	**32**	–
Loans and receivables	**11,241**	6,507	**5,032**	–
Prepayments	**2,295**	2,937	**115**	6
	13,536	9,444	**5,147**	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.

Notes:

(a) The amount represents amount receivable from a consultancy company. Pursuant to the agreement entered into between the consultancy company and the Company, the Company has appointed this consultancy company to solicit a potential investment project in the PRC and to provide consultancy services for a service fee of HK$5,000,000 which full amount has been paid by the Company. The service fee should only be paid upon the successful on soliciting the potential investment. Upon the expiry of the consultancy agreement, since no potential investment had been solicited, the Company requested for a refund on the amount paid. With regard to the negotiation with the consultancy company, the directors of the Company expected that only HK$4,000,000 will be refundable from this consultancy company and impairment loss of HK$1,000,000 was recognised in the consolidated income statement accordingly.

(b) On 27 April 2011, the Company entered into a conditional sale and purchase agreement (the "Agreement") with an independent third party (the "Vendor") for the acquisition of 25% equity interest in Galaxy Mount International Limited at a consideration of HK$212 million, which will be satisfied as to HK$46 million in cash and as to HK$166 million by the issue of convertible note by the Company. Details of the proposed acquisition are set out in the Company's circular dated 27 April 2011 and 13 June 2011. Deposits of HK$46 million (the "Deposits") have been paid by the Group for the acquisition.

On 5 August 2011, the Company and the Vendor mutually agreed to terminate the Agreement and entered into a termination agreement (the "Termination Agreement"). Pursuant to the Termination Agreement, the Vendor and the Company have waived their respective rights under the Agreement with immediate effect and released the other party from further performance of its/his obligations under the Agreement and they also confirmed that they will not lodge any claim against the other in respect of the termination of the Agreement. Pursuant to the Addendum to the Termination Agreement, the Vendor shall return the Deposits of HK$46 million, unsecured and without interest, in cash to the Company on or before 10 October 2011. Up to the date of this report, HK$5 million has been refunded to the Company of which HK$4 million was received before 31 December 2011.

Due to the prolonged discussion in arriving at a repayment schedule and uncertainty in the recoverability of the deposit, the directors of the Company were of the opinion that the outstanding balance of the Deposits of HK$41 million would not be recoverable, and accordingly an allowance of HK$41 million was recognised in consolidated income statement for the year ended 31 December 2011.

The Company has already taken legal proceeding against the vendor to recover the outstanding balance due to the Company.

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	
	2011	2010
	HK$'000	HK$'000
Within 1 month	**136**	101
More than 1 month but within 3 months	**20**	119
More than 3 months but within 6 months	**30**	—
More than 6 months	**120**	—
	306	220

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	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**306**	220
Less than 1 month past due	**—**	—
	306	220

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Statutory deposit *(note (i))*	**1,728**	1,647	**–**	–
	1,728	1,647	**–**	–

Note:

(i) Statutory deposit in guarantee of travel agency quality.

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and on hand	**37,101**	4,049	**34,726**	778
Cash and cash equivalents in the balance sheets and in the consolidated statement of cash flows	**37,101**	4,049	**34,726**	778

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors *(note a)*	**117**	334	**—**	—
Other payables and accrued charges	**28,169**	10,423	**4,020**	2,277
Payables for acquisition of property, plant and equipment	**—**	1,169	**—**	—
Short-term loans *(note b)*	**5,384**	4,159	**—**	—
Amounts due to directors *(note 40(c))*	**99**	16,610	**99**	10,769
Amounts due to related persons *(note 40(c))*	**15,450**	6,184	**—**	—
Amount due to a subsidiary	**—**	—	**—**	312
Other taxes and government surcharges payables	**19**	16	**—**	—
Financial liabilities measured at amortised cost	**49,238**	38,895	**4,119**	13,358
Receipts in advance *(note c)*	**2,925**	3,971	**—**	—
	52,163	42,866	**4,119**	13,358

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

(a) Ageing analysis

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Within 1 month	**117**	156
More than 1 month but within 3 months	**—**	178
More than 3 months	**—**	—
	117	334

(b) As at 31 December 2011, the short-term loans are interest-bearing at the rate of 25% per annum (2010: interest-free) and are expected to be settled within one year or are repayable on demand.

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

26. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles and equipment for its business. These leases are classified as finance leases and have remaining lease terms for four years.

At 31 December 2011, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2011 HK$'000	Minimum lease payments 2010 HK$'000	**Present value of minimum lease payments 2011 HK$'000**	Present value of minimum lease payments 2010 HK$'000
Amounts payable:				
Within one year	**374**	—	**309**	—
In the second year	**385**	—	**340**	—
In the third to fifth years, inclusive	**594**	—	**566**	—
Total minimum finance lease payments	**1,353**	—	**1,215**	—
Future finance charges	**(138)**	—		
Total net finance lease payables	**1,215**	—		
Portion classified as current liabilities	**(309)**	—		
Non-current portion	**906**	—		

27. CONVERTIBLE BONDS

The Group and the Company

(a) *Convertible bonds that do not contain an equity component*

On 28 October 2011, an aggregate principal amount of HK$50,000,000 of the convertible bonds (the "CB I") was issued to Sun Finance Co., Limited at an initial conversion price of HK$0.30 per conversion share with the maturity date falling on the sixth month or, extend at the discretion of the Company, the twelve month of the date of the issue of the convertible bonds. The CB I bear interest rate of 18% per annum. Pursuant to the terms of the CB I, the conversion price is subject to change and will be reset every two months after the issuance date (the "Reset Date") if the arithmetic average of closing price per share of the Company during the thirty consecutive trading days prior to the Reset Date is less than the conversion price in effect, the conversion price will be adjusted to a price equivalent to the arithmetic average of the closing price per share (the "Reset Conversion Price"). The lowest Reset Conversion Price is limited to HK$0.18 per conversion share. Assuming full conversion of the convertible bonds at the initial conversion price of HK$0.30 per share, a total of 166,666,666 shares of the Company will be allotted and issued but there are no conversion shares issued as at year end.

The CB I is classified as derivative financial liability and is recognised initially and subsequently measured at fair value.

The fair values of the bonds were determined by the directors of the Company with reference to the valuation performed by a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values.

27. CONVERTIBLE BONDS (Continued)

The Group and the Company (Continued)

(b) *Convertible bonds that contain equity component*

On 28 March 2011, an aggregate principal amount of HK$60,000,000 of the zero coupon convertible bonds (the "CB II") was issued to Premier Capital Enterprises Limited at the conversion price of HK$0.28 (adjusted to HK$1.4 follow the consolidation of shares of the Company in October 2011) with the maturity date falling on the second anniversary of the date of the issue of the convertible bonds for settlement of promissory notes with principal amount of HK$61,855,670.

The fair values of the bonds were determined by the directors of the Company with reference to the valuation performed by a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values.

The convertible bonds contain two components, the liability and the equity components. The fair value of the liability component was calculated based on the present value contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the market interest rate for an equivalent non-convertible notes and remaining time to maturity. The residual amount, representing the value of the equity conversion component is presented in equity as a "convertible bond reserve".

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

	2011 **HK$'000**	2010 HK$'000
Fair value on initial recognition	**72,464**	—
Equity component *(note 31)*	**(25,090)**	—
Liability component at 1 January/date of issue	**47,374**	110,254
Interest charge *(note 6(a))*	**2,398**	1,731
Interest paid/payable	**—**	(388)
Conversion of convertible bonds during the year	**(25,267)**	(1,765)
Cancellation of convertible bonds during the year	**—**	(109,832)
Carrying amount at 31 December	**24,505**	—

The effective interest rate of the liability component is 14.14% (2010: 17.12%) per annum. Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate to the liability component.

28. OTHER LONG-TERM PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due to non-controlling interest holders	**—**	36,211	**—**	—
Financial liabilities measured at amortised cost	**—**	36,211	**—**	—

As at 31 December 2010, all of the other long-term payables were not expected to be settled within one year or were not repayable on demand.

29. PROMISSORY NOTES

The Group and the Company

	2011	2010
	HK$'000	HK$'000
At 1 January	**155,048**	131,687
Interest charge	**15,761**	23,361
Settlement made by issuance of convertible bonds	**(54,461)**	—
Settlement of promissory notes	**(12,021)**	—
Adjustment for the difference between the fair value of new promissory notes issued and the carrying amount of existing promissory notes replaced	**(12,432)**	—
At 31 December	**91,895**	155,048

29. PROMISSORY NOTES (Continued)

The Group and the Company (Continued)

On 15 February 2011, the Company entered into the agreement to restructure the zero coupon promissory note dated 3 December 2010 issued by the Company in the aggregate principal amount of HK$183,541,942 due and repayable on 8 January 2012 (the "Existing Promissory Note") with Premier Capital Enterprises Limited, which is the holder of the Existing Promissory Note and beneficially wholly-owned by Mr. Lam Ho Laam (the "PN Holder"). Pursuant to the agreement, the parties conditionally agreed that (i) a principal amount of HK$61,855,670 outstanding under the Existing Promissory Note shall be early repaid by the Company by way of issue of the convertible bonds in an aggregate principal amount of HK$60,000,000; and (ii) the remaining principal amount outstanding under the Existing Promissory Note shall be settled by the Company issuing the new zero coupon promissory note ("New Promissory Note") to PN Holder having the same terms and conditions of the Existing Promissory Note other than (a) the principal amount shall be the difference of the outstanding principal amount of the Existing Promissory Note immediately prior to completion of the restructuring of the Existing Promissory Note and the part of the outstanding principal amount of the Existing Promissory Note in the sum of HK$61,855,670 which has been early repaid by the Company by way of issue of the convertible bonds (the "Early Repayment Amount") and (b) the maturity date shall be 8 January 2013 instead of 8 January 2012. The principal amount of the convertible bonds of HK$60,000,000 represents a discount of 3% to the Early Repayment Amount which is determined in accordance with the early repayment terms of the Existing Promissory Note. The restructuring of the Existing Promissory Note was completed on 28 March 2011.

During the year, promissory notes with principal amount of HK$15,463,917 was early repaid by cash settlement of HK$15,000,000. The difference represents a discount of 3% to the early repayment amount in accordance with the early repayment terms of the promissory notes.

The fair value of New Promissory Notes is approximately HK$94,561,000, as at the issue date, calculated based on the effective interest rate of 14.14% per annum. The promissory notes are classified as non-current liabilities and are carried at amortised cost basis until extinguished on redemption.

30. 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:

	Fair value adjustment on intangible assets HK$'000
Deferred tax arising from:	
At 1 January 2010	40,498
Credited to consolidated income statement *(note 7(a))*	(39,837)
At 31 December 2010 and 1 January 2011	661
Credited to consolidated income statement *(note 7(a))*	(6)
Reversal of disposal of discontinued operations	(655)
At 31 December 2011	—

	2011 **HK$'000**	2010 HK$'000
Net deferred tax liabilities recognised in the consolidated balance sheet	**–**	661

(b) Deferred taxation not recognised

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of tax losses of approximately HK11,448,000 (2010: HK$28,601,000) 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.

31. RESERVES

(a) The Company

	Share premium HK$'000	Convertible bond reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	320,249	55,026	2,492	(376,190)	1,577
Shares issued upon conversion of convertible bonds	2,576	(846)	—	—	1,730
Cancellation of convertible bonds	—	(54,180)	—	—	(54,180)
Issue of placing shares	19,140	—	—	—	19,140
Shares issue costs	(526)	—	—	—	(526)
Shares issued for acquisition of subsidiaries	26,271	—	—	—	26,271
Shares issued upon exercise of share options	8,620	—	(1,855)	—	6,765
Recognition of share-based payment transaction	—	—	3,529	—	3,529
Loss for the year	—	—	—	(133,422)	(133,422)
At 31 December 2010 and 1 January 2011	376,330	—	4,166	(509,612)	(129,116)
Issue of placing shares	96,323	—	—	—	96,323
Issuance of convertibles bonds	—	25,090	—	—	25,090
Share issued upon conversion of convertible bonds	37,475	(13,348)	—	—	24,127
Share issued for acquisition of subsidiaries	64,535	—	—	—	64,535
Share option lapsed	—	—	(1,102)	1,102	—
Loss for the year	—	—	—	(126,383)	(126,383)
At 31 December 2011	574,663	11,742	3,064	(634,893)	(45,424)

32. SHARE CAPITAL

	2011 Number of shares '000	**2011** Amount HK$'000	2010 Number of shares '000	2010 Amount HK$'000
Authorised:				
Ordinary shares at HK$0.05 (2010: HK$0.01) each	**2,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:				
At 1 January	**796,424**	**7,964**	652,258	6,523
Shares issued upon conversion of convertible bonds *(note (i))*	**114,000**	**1,140**	3,500	35
Issue of placing shares *(note (ii))*	**409,000**	**4,090**	66,000	660
Shares issued for acquisition of subsidiaries *(note (iii))*	**321,753**	**3,218**	54,166	541
Shares issued upon exercise of share options	**—**	**—**	20,500	205
Share consolidation *(note (iv))*	**(1,312,942)**	**—**	—	—
At 31 December	**328,235**	**16,412**	796,424	7,964

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 as regard to the Company's residual assets.

32. SHARE CAPITAL (Continued)

Notes:

(i) On 28 March 2011, an aggregate principal amount of HK$60,000,000 of the convertible bonds was issued to Premier Capital Enterprises Limited at the conversion price of HK$0.28 with the maturity date falling on the second anniversary of the date of the issue of the convertible bonds. During the year ended 31 December 2011, an aggregate principal amount of HK$31,920,000 of the convertible bonds has been converted into 114,000,000 ordinary shares of the Company.

(ii) On 6 January 2011, the Company issued 94,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.32 per share by way of top-up placement.

On 25 January 2011, the Company issued 64,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.295 per share by way of top-up placement.

On 13 April 2011, the Company issued 100,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.295 per share by way of top-up placement.

On 12 May 2011, the Company issued 65,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.245 per share by way of top-up placement.

On 18 August 2011, the Company issued 86,000,000 ordinary shares of HK$0.01 each at the issue price of HK$0.10 per share by way of top-up placement.

(iii) On 18 April 2011, the Company acquired 100% equity interest in Dragon Gain Worldwide Limited and issued 145,283,018 consideration shares of HK$0.01 each credited as fully paid at issue price of HK$0.255 (market price) per share.

On 1 June 2011, the Company acquired 100% equity interest in Solution Gold Limited and issued 176,470,588 consideration shares of HK$0.01 each credited as fully paid at issue price of HK$0.174 (market price) per share.

(iv) The share consolidation, of every five shares of HK$0.01 each in the issued and unissued share capital of the Company consolidated into one consolidation share of HK$0.05 each in the issued and unissued share capital of the Company (the "Share Consolidation") became effective on 19 October 2011. Upon the Share Consolidation has been effective, the existing authorised share capital of the Company is HK$100,000,000 divided into 2,000,000,000 consolidated shares, of which 328,235,569 consolidated shares have been issued and fully paid or credited as fully paid. The board lot size has also been adjusted from 2,000 shares to 5,000 consolidated shares.

32. SHARE CAPITAL (Continued)

(a) 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) 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(v).

(iii) 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.

(iv) 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(h). The revaluation reserve is not distributable to the equity shareholders of the Company.

(v) 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(n).

(vi) 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(r)(iii).

(b) Distributable reserves

As at 31 December 2011, there was not any aggregate amount of reserves available for distribution to equity shareholders of the Company (2010: 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:

	Exercise price per share HK$	Number of options: Outstanding at 1.1.2011 '000	Lapsed during the year	Outstanding at 31.12.2011 '000	Vesting conditions
Options granted to directors:					
— 29 June 2009	3.070	1,200	(300)	900	No vesting condition
— 4 June 2010	1.700	1,800	(100)	1,700	No vesting condition
Options granted to employees:					
— 29 June 2009	3.070	760	(460)	300	No vesting condition
— 4 June 2010	1.700	1,900	(200)	1,700	No vesting condition
Total share options granted		5,660	(1,060)	4,600	

Upon the Share Consolidation has been effective, the exercise prices of the options and the numbers of shares falling to be allotted in respected of the options were adjusted.

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:

	2011 Weighted average exercise price	**2011** Number of options '000	2010 Weighted average exercise price	2010 Number of options '000
Outstanding at the beginning of the period	**HK$0.435**	**28,300**	HK$0.614	9,800
Effect on Share Consolidation	**HK$0.348**	**(22,640)**	—	—
Granted during the period	**—**	**—**	HK$0.340	39,000
Exercised during the period	**—**	**—**	HK$0.340	(20,500)
Forfeited during the period	**HK$2.682**	**(1,060)**	—	—
Exercisable at the end of the period	**HK$2.057**	**4,600**	HK$0.435	28,300

34. SHARE-BASED PAYMENT TRANSACTION (Continued)

(b) (Continued)

The 1,200,000 options and 3,400,000 options outstanding at 31 December 2011 had an exercise price of HK$3.07 and HK$1.70 respectively. Their weighted average remaining contractual life are 7.5 and 8.5 years respectively (2010: 8.5 and 9.5 years).

(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

Date of offer to grant options	**4 June 2010**	29 June 2009
Fair value at measurement date	**HK$0.091**	HK$0.254
Share price at granted date	**HK$0.300**	HK$0.600
Exercise price	**HK$1.70**	HK$3.070
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

On 30 March 2011, Mega Field International Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Au Chi Kong for the disposal of the Group's 65% equity interests in Wisdom In Holdings Limited and the loan due from Wisdom In Holdings Limited and its subsidiaries to Mega Field International Limited at an aggregate consideration of HK$2,300,000.

	As at the date of disposal HK$'000
NET LIABILITIES DISPOSED OF	
Property, plant and equipment	1,688
Intangible assets	8,330
Trade and other receivables	2,651
Cash and cash equivalents	339
Other loan	(27,993)
Trade and other payables	(16,103)
Deferred tax liabilities	(655)
	(31,743)
Non-controlling interests	12,647
Exchange reserve released	4,725
Gain on disposal of discontinued operations *(note 11)*	16,671
Total consideration	2,300
Satisfied by:	
Cash	2,300
Net cash outflow arising on disposal:	
Cash consideration	2,300
Bank balances and cash disposed of	(339)
	1,961

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.

36. ACQUISITION OF SUBSIDIARIES

Acquisition in 2011

(a) Acquisition of intangible assets through acquisition of a subsidiary

On 18 April 2011, the Group acquired the entire issued share capital of Dragon Gain Worldwide Limited ("Dragon Gain") from three independent third parties. The total consideration paid for the acquisition of Dragon Gain was HK$41,000,000. 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. A non-exclusive license for adaption of a famous Chinese novel called "Born to be Hero" (天龍八部) as stage drama to be performed worldwide (excluding Japan) for a period until 31 December 2015 has been granted to Creative Works by its author Mr. Louis Cha Leung Yung (also known by his pen name as Jin-yung 金庸). Other than developing the said stage drama under non-exclusive license, Creative Works has not conducted any business activity before acquisition.

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

(i) as to HK$2,500,000 by cash; and

(ii) as to HK$38,500,000 by allotment of 145,283,018 shares of HK$0.01 each in its ordinary share capital at the issue price of HK$0.265 per share. At the completion date, the fair value of the consideration shares totalling HK$37,047,170 is based on HK$0.255 per share, being market price of the shares of the Company as at completion date.

The consideration includes a put option granted by the vendor to the Group and a call option granted by the Group to the vendor as detailed in note 17.

The net assets acquired in the transaction are as follows :

	Fair value HK$'000
Net assets acquired:	
Intangible assets *(note 15)*	91,668
Other receivable	11
Non-controlling interests	(44,921)
	46,758
Put option granted to the Group *(note 17)*	7,104
Call option granted by the Group *(note 17)*	(14,315)
	39,547
Total consideration satisfied by:	
Fair value of the consideration shares as at the completion date	39,547

36. ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition in 2011 (Continued)

(b) Acquisition of associates through acquisition of a subsidiary

On 1 June 2011, the Company acquired the entire share capital of the Solution Gold Limited (the "Solution Gold Acquisition") for an aggregate consideration of HK$30,000,000, which shall be satisfied by allotment and issue of 176,470,588 new shares of the Company. The principal activity of Solution Gold Limited was investment holding and has exclusive right to use brand name "Fiorcucci" on or in relation to the marketing and distribution of licensed products.

The net assets acquired in the transaction are as follows :

	Fair value HK$'000
Net assets acquired:	
Interests in associates *(note 20)*	30,709
Other payable	(3)
	30,706
Total consideration satisfied by:	
Fair value of the consideration shares as at the completion date	30,706

36. ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition in 2010

(c) Acquisition of business

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 consideration includes put options granted to the Group 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)

Acquisition in 2010 (Continued)

(c) Acquisition of business (Continued)

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

	Notes	**Acquiree's fair value 2010** HK$'000
Assets/(liabilities) acquired:		
Property, plant and equipment	14	16
Amount due from a non-controlling interest holder		10
Trade and other receivables		678
Cash and bank balances		113
Trade and other payables		(256)
Non-controlling interests		(34)
Amount due to related persons		(995)
		(468)
Non-controlling interests		228
Put options granted to the Company	17	16,817
Goodwill	16	25,235
Total consideration		41,812
Total consideration satisfied by:		
Cash		15,000
Fair value of the consideration shares as at the completion date		26,812
		41,812

	2010 HK$'000
Net cash outflow in respect of the acquisitions is analysed as follows:	
Consideration settled in cash	(15,000)
Cash and cash equivalents in subsidiaries acquired	113
	(14,887)

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

	2011		2010	
Financial assets	**Financial assets at fair value through profit or loss HK$'000**	**Loans and receivables HK$'000**	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000
Derivative financial instruments	**85,997**	**—**	16,817	—
Trade and other receivables	**—**	**10,241**	—	6,507
Restricted bank deposits	**—**	**1,728**	—	1,647
Cash and cash equivalents	**—**	**37,101**	—	4,049
	85,997	**49,070**	16,817	12,203

	2011		2010
Financial liabilities	**Financial liabilities at fair value through profit or loss HK$'000**	**Financial liabilities at amortised cost HK$'000**	Financial liabilities at amortised cost HK$'000
Trade and other payables	**—**	**46,490**	38,895
Finance lease payables	**—**	**1,215**	—
Other long-term payables	**—**	**—**	36,211
Convertible bonds	**50,000**	**24,505**	—
Promissory notes	**—**	**91,895**	155,048
Derivative financial instruments	**211**	**—**	—
	50,211	**164,105**	230,154

37. FINANCIAL INSTRUMENTS (Continued)

(A) Financial instruments by category (Continued)

The Company

Financial assets	2011 Financial assets at fair value through profit or loss HK$'000	2011 Loans and receivables HK$'000	2010 Loans and receivables HK$'000
Derivative financial instrument	**38,919**	**—**	—
Amounts due from subsidiaries	**—**	**32,583**	46,261
Other receivables and deposit paid	**—**	**30**	—
Cash and cash equivalents	**—**	**34,726**	778
	38,919	**67,339**	47,039

Financial liabilities	2011 Financial liability at fair value through profit or loss HK$'000	2011 Financial liabilities at amortised cost HK$'000	2010 Financial liabilities at amortised cost HK$'000
Other payables	**—**	**4,119**	13,358
Derivative financial instrument	**211**	**—**	—
Convertible bonds	**50,000**	**24,505**	—
Promissory notes	**—**	**91,895**	155,048
	50,211	**120,519**	168,406

37. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management

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

(a) *Credit risk*

As at 31 December 2011, 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 and investment deposits are set out in notes 22 and 18 respectively.

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.

37. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management (Continued)

(b) *Liquidity risk (Continued)*

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:

The Group

	2011					2010			
	Carrying amount HK$'000	Total Contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 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
Trade and other payables	53,215	53,215	53,215	–	–	38,895	38,895	38,895	–
Finance lease payable	1,215	1,353	374	385	594	–	–	–	–
Other long-term payables	–	–	–	–	–	36,211	36,211	–	36,211
Convertible bonds	74,505	74,505	50,000	24,505	–	–	–	–	–
Promissory notes	91,895	106,686	–	106,686	–	155,048	183,376	–	183,376
	220,830	235,759	103,589	131,576	594	230,154	258,482	38,895	219,587

The Company

	2011					2010			
	Carrying amount HK$'000	Total Contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 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
Other payables	4,119	4,119	4,119	–	–	13,358	13,358	13,358	–
Convertible bonds	74,505	74,505	50,000	24,505	–	–	–	–	–
Promissory notes	91,895	106,686	–	106,686	–	155,048	183,376	–	183,376
	170,519	185,310	54,119	131,191	–	168,406	196,734	13,358	183,376

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 2011 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 interest-bearing convertible bonds and other short-term borrowings which is at fixed rates, the Group has no significant interest-bearing assets and liabilities. The Group's income, expenses 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.

The movement during the year is of derivative financial instruments is shown in note 17.

(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 2011 and 2010, 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 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 Group 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 2011 not provided for in the financial statements were as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Contracted but not provided for	**–**	484

39. COMMITMENTS (Continued)

(b) At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within 1 year	**3,703**	5,879
Within 5 years and after 1 year	**12,006**	12,215
After 5 years	**6,367**	9,478
	22,076	27,572

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short-term employees benefits	**6,685**	5,465	**4,444**	4,966
Post-employment benefits	**44**	44	**36**	44
Share-based payment	**—**	950	**—**	950
	6,729	6,459	**4,480**	5,960

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

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

(b) Transactions with other related parties

During the years ended 31 December 2011 and 2010, the Directors consider that the following are related parties of the Group.

Name of party	Relationship with the Group
Ms. Bibi Mariam Maria Cordero (“Ms. Cordero”)	Ms. Bibi Mariam Maria Cordero (“Ms. Cordero”), a director of the subsidiary of the Company
True Regent International Limited (“True Regent”)	Ms. Cordero is one of the shareholders of True Regent
Mr. Chin Wing Keung (“Mr. Chin”)	The spouse of Mr. Chin is a minority equity holder of the Group
Mr. Chan Chi Kwong (“Mr. Chan”)	The spouse of Mr. Chan is a minority equity holder of the Group

(i) *Rental expenses to True Regent*

During the year ended 31 December 2011, the Group paid rental expenses of approximately HK$1,278,200 (2010: Nil) to True Regent for providing premises and certain audio and video equipment and instruments to the Group.

(ii) *Rental expenses to True Regent*

During the year ended 31 December 2011, the Group paid rental expenses of approximately HK$94,500 (2010: Nil) to Ms. Cordero for providing premises to the Group.

(iii) *Artists management income from True Regent*

During the year ended 31 December 2011, the Group received artists management income of approximately HK$457,000 from True Regent.

(iv) *Development costs to Mr. Chin*

During the year ended 31 December 2011, the Group paid development costs incurred for the stage drama of approximately HK$1,852,000 (2010: Nil) which have been capitalised to intangible assets.

(v) *Development costs to Mr. Chan*

During the year ended 31 December 2011, the Group paid development costs incurred for the stage drama of approximately HK$1,235,000 (2010: Nil) which have been capitalised to intangible assets.

(c) 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 2011 and 2010.

41. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's management makes assumptions, estimates and judgements in the process of applying the Group'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.

(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.

41. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

In assessing the fair value of the put and call 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 and call 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 and call options.

(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 2011, the carrying amount of goodwill is HK$14,329,000.

Details of the recoverable amount calculated are disclosed in note 16.

(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 and deposits. Allowances are applied to trade and other receivables and deposits 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 2011

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, Financial instruments: Disclosures	
— Transfers of financial assets	1 July 2011
Amendments to HKFRS 7, Financial instruments: Disclosures	
— Offsetting financial assets and financial liabilities	1 January 2013
Amendments to HKAS 12, Income taxes	
— Deferred tax: Recovery of underlying assets	1 January 2012
Amendments to HKAS 1, Presentation of financial statements	
— Presentation of items of other comprehensive income	1 July 2012
Amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 10, Consolidated financial statements	1 January 2013
HKFRS 11, Joint arrangements	1 January 2013
HKFRS 12, Disclosure of interests in other entities	1 January 2013
HKFRS 13, Fair value measurement	1 January 2013
HKAS 27 (2011), Separate financial statements	1 January 2013
HKAS 28 (2011), Investments in associates and joint ventures	1 January 2013
Revised HKAS 19, Employee benefits	1 January 2013
HKFRS 9, Financial instruments	1 January 2015

The Group is yet to assess the full impact of these amendments and new standards on its financial position and results of operations. However, they are not expected to have a material impact on the financial position or results of operations of the Group but may require additional disclosures.

43. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Acquisition of Creative Star Limited

On 14 November 2011, the Group entered into a sale and purchase agreement with independent third party, pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of Creative Star Limited ("Creative Star"). The total consideration paid for the acquisition of Creative Star was HK$20,000,000. Upon completion, Creative Star became a wholly-owned subsidiary of the Group.

Creative Star is an investment holding company, incorporated in the Republic of Vanuatu with limited liability, and held as to 60% of the shares of Hong Kong Marketing Service Limited ("Hong Kong Marketing"). Hong Kong Marketing is incorporated in Hong Kong with limited liability and its principal businesses is product advertising and promotion, marketing agency and planning, function organisation and media project services.

On 28 February 2012, the acquisition of Creative Star Limited was completed. Details of net assets acquired and the calculation of goodwill are as follows:

	HK$'000
Cash consideration	20,000
Fair Value of assets acquired	
— Property and equipment	214
— Current assets	1,884
— Current liabilities	(2,088)
Non-controlling interests	(4)
	6
Goodwill	19,994

The above goodwill is mainly attributable to the extended sales coverage and network and customer base of Hong Kong Marketing Service Limited, expertise of the operator and the expected synergy effect with the Group's existing entertainment businesses.

Details of the transaction were disclosed in the Company's announcements dated 14 November 2011, 25 November 2011 and 20 January 2012 and 28 February 2012 respectively.

43. NON-ADJUSTING POST BALANCE SHEET EVENTS (Continued)

(b) Proposed Acquisition of Galaxy Mount International Limited

On 5 August 2011 and 12 August 2011, the Company and a vendor mutually agreed to terminate an acquisition agreement on the acquisition of 25% issued share capital of Galaxy Mount International Limited as a result of the non- availability of certain relevant financial information and entered into a termination agreement. Pursuant to this termination agreement (and the addendum thereof dated 12 August 2011), the vendor shall return the deposits of HK$46 million, unsecured and without interest, in cash to the Company on or before 10 October 2011. As at 31 December 2011, the Company received two cheques for an aggregate amount of HK$4 million post-dated for 9 and 16 December 2011, as partial repayment for the deposits from the vendor, and such two cheques have been cleared.

Due to the prolonged discussion on the repayment schedule and uncertainty on the recoverability of the deposit, the Company made an impairment on the outstanding amount of HK$41,000,000 at the balance sheet date.

Details of the transaction were published in the announcements, of the Company dated 16 December 2010, 6 January 2011, 26 January 2011, 27 April 2011, 5 August 2011 and 30 November 2011.

Save as disclosed above, note 2(b) and elsewhere in this report, no other significant events took place subsequent to 31 December 2011.