TLT LOTTOTAINMENT GROUP LIMITED
彩娛集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8022)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

This announcement, 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 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 announcement 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 announcement misleading.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
Continuing operations			
Turnover	*4 & 5*	**25,674**	22,113
Cost of service		**(23,212)**	(18,636)
Gross profit		**2,462**	3,477
Other income and gain, net	*6*	**21,335**	99
Operating and administrative expenses		**(34,862)**	(34,081)
Amortisation of intangible assets	*11*	**(36,398)**	(137,025)
Impairment loss on intangible assets	*11*	**(142,292)**	(483,375)
Impairment loss on goodwill	*12*	**–**	(55,010)
Loss from operations		**(189,755)**	(705,915)
Finance cost		**(25,229)**	(57,465)
Loss before taxation	*7*	**(214,984)**	(763,380)
Taxation	*8*	**39,837**	127,640
Loss after income tax from continuing operations		**(175,147)**	(635,740)
Discontinued operations			
Loss from discontinued operations		**–**	(378)
Loss for the year		**(175,147)**	(636,118)
Attributable to:			
Equity shareholders of the Company		**(101,335)**	(387,060)
Non-controlling interests		**(73,812)**	(249,058)
Loss for the year		**(175,147)**	(636,118)
Loss per share	*10*		
From continuing and discontinued operations			
Basic		**(14.72 cents)**	(81.82 cents)
Diluted		**(14.72 cents)**	(81.82 cents)
From continuing operations			
Basic		**(14.72 cents)**	(81.74 cents)
Diluted		**(14.72 cents)**	(81.74 cents)
From discontinued operations			
Basic		**–**	(0.08 cents)
Diluted		**–**	(0.08 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

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

CONSOLIDATED BALANCE SHEET

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**3,193**	5,917
Prepaid lease payments		**–**	794
Intangible assets	*11*	**8,832**	186,717
Goodwill	*12*	**25,235**	–
Derivative financial instruments	*13*	**16,817**	–
Deposit for acquisition of exclusive operating licenses	*14*	**–**	148,000
		54,077	341,428
Current assets			
Inventories		**18**	1
Trade and other receivables	*18*	**9,444**	8,095
Restricted bank deposits		**1,647**	10,000
Cash and cash equivalents		**4,049**	3,419
		15,158	21,515
Current liabilities			
Bank overdrafts		**–**	10,511
Trade and other payables	*19*	**42,866**	9,232
		(42,866)	(19,743)
Net current (liabilities)/assets		**(27,708)**	1,772
Total assets less current liabilities		**26,369**	343,200
Non-current liabilities			
Interest-bearing loan		**–**	28,460
Other long-term payables		**36,211**	25,968
Convertible bonds	*15*	**–**	110,254
Promissory notes	*16*	**155,048**	131,687
Deferred tax liabilities		**661**	40,498
		(191,920)	(336,867)
NET (LIABILITIES)/ASSETS		**(165,551)**	6,333
CAPITAL AND RESERVES			
Share capital	*20*	**7,964**	6,523
Reserves		**(152,468)**	(53,343)
Total equity attributable to equity shareholders of the Company		**(144,504)**	(46,820)
Non-controlling interests		**(21,047)**	53,153
TOTAL EQUITY		**(165,551)**	6,333

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, 9/F., Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong and Hong Kong respectively.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

4. TURNOVER

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

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

5. SEGMENT REPORTING

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

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

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

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

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

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segment, 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 measured 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.

5. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

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

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

5. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

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

5. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

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

5. SEGMENT REPORTING (Continued)

Segment results, assets and liabilities (Continued)

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

Geographical segments

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

Major customers

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

6. OTHER INCOME AND GAIN, NET

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

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

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

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		Continuing operations		Discontinued operations		Consolidated	
		2010	2009	**2010**	2009	**2010**	2009
		HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
a)	**Finance costs**						
	Interest on bank advances and other borrowings wholly repayable within five years	**97**	1,561	**–**	471	**97**	2,032
	Interest on promissory notes	**23,361**	27,012	**–**	–	**23,361**	27,012
	Interest on convertible bonds	**1,731**	28,869	**–**	–	**1,731**	28,869
	Others	**40**	23	**–**	14	**40**	37
		25,229	57,465	**–**	485	**25,229**	57,950
b)	**Staff costs (including directors' remuneration)**						
	Termination payment	**121**	–	**–**	–	**121**	–
	Contributions to defined contribution retirement plans	**88**	1,641	**–**	8,172	**88**	9,813
	Equity-settled share-based payment expenses	**3,530**	2,492	**–**	–	**3,530**	2,492
	Salaries, wages and other benefits	**13,331**	11,038	**–**	26,336	**13,331**	37,374
		17,070	15,171	**–**	34,508	**17,070**	49,679
c)	**Other items**						
	Amortisation						
	– prepaid lease payments	**18**	18	**–**	47	**18**	65
	Depreciation						
	– assets held for use under operating leases	**–**	–	**–**	4,716	**–**	4,716
	– other assets	**1,334**	994	**–**	7,724	**1,334**	8,718
	Impairment loss on property, plant and equipment	**–**	–	**–**	109	**–**	109
	Impairment loss on available-for-sale financial assets	**–**	–	**–**	378	**–**	378
	Net foreign exchange loss/(gain)	**–**	29	**–**	(108)	**–**	(79)
	Auditors' remuneration						
	– current year	**320**	300	**–**	–	**320**	300
	– under-provision in respect of prior years	**200**	5	**–**	–	**200**	5
	Operating lease charges in respect of property rentals: minimum lease payments	**3,878**	4,721	**–**	33	**3,878**	4,754
	Cost of inventories	**51**	–	**–**	35,029	**51**	35,029
	Written off of property, plant and equipment	**4**	–	**–**	–	**4**	–
	Loss on disposal of property, plant and equipment	**1,360**	–	**–**	–	**1,360**	–
	Loss on disposal of prepaid lease payments	**27**	–	**–**	–	**27**	–

8. TAXATION IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

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

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

9. DIVIDENDS

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

10. LOSS PER SHARE

(a) From continuing and discontinued operations

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

Weighted average number of ordinary shares

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

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

10. LOSS PER SHARE (Continued)

(b) From continuing operations

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

Loss figures are calculated as follows:

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

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

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

(c) From discontinued operations

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

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

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

11. INTANGIBLE ASSETS

The Group

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

11. INTANGIBLE ASSETS (Continued)

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

The Group carried out the impairment test for the TMP Platform of which the assessment was carried out by Asset Appraisal Limited, an independent qualified professional valuer. The assessment basis is consistent with that of the exclusive operating licenses as stated in note 11(a).

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

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

12. GOODWILL

The Group

	2010 **HK$'000**	2009 HK$'000
Cost:		
At 1 January	**106,230**	381
Arising on acquisition of subsidiaries	**25,235**	105,849
At 31 December	**131,465**	106,230
Accumulated impairment losses:		
At 1 January	**106,230**	381
Profit guarantee and adjustment *(note 16)*	**–**	50,839
Impairment loss for the year	**–**	55,010
At 31 December	**106,230**	106,230
Carrying amount:		
At 31 December	**25,235**	–

Impairment tests for cash-generating units containing goodwill

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

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

Note:

(i) The goodwill was arising on the acquisition of 51% equity interest in Fountain City Holdings Limited on 22 October 2010.

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

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

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

	2010 **HK$'000**	2009 HK$'000
Put options		
At 1 January	**–**	–
Arising on acquisition of subsidiary	**16,817**	–
At 31 December	**16,817**	–

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

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

The acquisition was completed on 22 October 2010.

Valuation of the put options

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

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

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

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

Note:

(i) The carrying amounts of the put options are not materially different from their fair values as at 31 December 2010.

14. DEPOSIT FOR ACQUISITION OF EXCLUSIVE OPERATING LICENSES

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

15. CONVERTIBLE BONDS

The Group

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

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

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

	2010 **HK$'000**	2009 HK$'000
Proceeds from issuance of the convertible bonds	**–**	409,200
Equity component	**–**	(149,802)
Liability component at 1 January/date of issue	**110,254**	259,398
Interest charge *(note 7(a))*	**1,731**	28,869
Interest paid/payable	**(388)**	(2,689)
Conversion of convertible bonds during the year	**(1,765)**	(175,324)
Cancellation of convertible bonds during the year	**(109,832)**	–
Carrying amount at 31 December	**–**	110,254

16. PROMISSORY NOTES

The Group

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

16. PROMISSORY NOTES (Continued)

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

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

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

On 15 February 2011, the existing promissory notes were restructured.

17. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Acquisition of Dragon Gain Worldwide Limited

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

Dragon Gain is an investment holding company, incorporated in the British Virgin Islands with limited liability, and held as to 51% of the shares of Creative Works Limited ("Creative Works"). Creative Works is incorporated in Hong Kong with limited liability which owns 100% equity interest in the wholly owned foreign enterprise ("WOFE" or "WFOE") (together with Dragon Gain and Creative Works, the "Target Group1"). The business of the Target Group1 will be organization, production and management of stage drama worldwide (excluding Japan) including the performance of a famous Chinese novel called "Born to be Hero" (天龍八部) under a non-exclusive license granted to Creative Works by its author Mr. Louis Cha Leung Yung (also known by his pen name as Jin-yung 金庸) for adaption of the novel as stage play to be performed worldwide (excluding Japan) for a period until 31 December 2015.

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

(b) Proposed Acquisition of Galaxy Mount International Limited

On 16 December 2010, the Group entered into a non-binding memorandum with an independent third party, in respect of the proposed acquisition of up to 30% issued share capital of Galaxy Mount International Limited ("Galaxy Mount"). Galaxy Mount is a company incorporated in the British Virgin Islands with limited liability which owns 100% equity interest in DOXTV Corporation (Beijing) Limited ("Beijing DOXTV"), which in turn owns 100% equity interest in 天天放送(珠海)商貿有限公司 (together with Galaxy Mount, the "Target Group2"). The business of Target Group2 will be operating TV Channel, high definition television transmission and its relevant value-added business and ETC value-added in PRC.

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

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

18. TRADE AND OTHER RECEIVABLES

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

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.

(a) Ageing analysis

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

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

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

18. TRADE AND OTHER RECEIVABLES (Continued)

(b) Trade debtors that are not impaired

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

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

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

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

19. TRADE AND OTHER PAYABLES

	The Group	
	2010	2009
	HK$'000	HK$'000
Trade creditors *(note 19(a))*	**334**	147
Accrued charges	**10,423**	3,737
Payables for acquisition of property, plant and equipment	**1,169**	2,006
Short-term loan payables	**4,159**	–
Amounts due to directors	**16,610**	–
Amounts due to related persons	**6,184**	–
Amount due to a subsidiary *(note 19(b))*	**–**	–
Deposits	**–**	206
Other taxes and government surcharges payables	**16**	65
Financial liabilities measured at amortised cost	**38,895**	6,161
Receipts in advance *(note 19(c))*	**3,971**	3,071
	42,866	9,232

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

19. TRADE AND OTHER PAYABLES (Continued)

(a) Ageing analysis

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

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

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

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

20. SHARE CAPITAL

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

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

20. SHARE CAPITAL (Continued)

Notes:

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

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

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

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

EXTRACTED FROM INDEPENDENT AUDITOR'S REPORT

The following paragraphs extracted from the independent auditor's report on the Group's financial statements for the year ended 31 December 2010.

Opinion

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

Emphasis of matter

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Mobile lottery online ("MLO") recharge business

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

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

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

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

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

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

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

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

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

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

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

COMMITMENTS

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

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

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

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

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

ACQUISITION OF FOUNTAIN CITY HOLDINGS LIMITED

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

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

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

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations of principal activities for the year ended 31 December 2010 is set out in note 5 above.

OVERVIEW FOR 2010 OPERATION AND PROSPECT

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

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

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

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

FOREIGN CURRENCY RISK

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICY

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

CORPORATE GOVERNANCE

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

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

Code Provision A.4.1

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 appointment is subject to retirement by rotation and they offer themselves for re-election in accordance with the articles of association of the Company.

Code Provision E.1.2

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

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.

AUDIT COMMITTEE

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

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

COMPLIANCE ADVISER'S INTERESTS

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

By order of the Board
TLT Lottotainment Group Limited
Cheung Man Yau, Timothy
Chief Executive Officer and Executive Director

Hong Kong, 23 March 2011

As of the date hereof, the executive Directors are Mr. Wong Wai Sing, Mr. Cheung Man Yau, Timothy, Mr. Chan Kin Yip and Mr. Lai Chun Hung; the independent non-executive Directors are Mr. Sung Wai Tak, Herman, Mr. Wong Lit Chor, Alexis and Mr. Fung Wai Shing.

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at http://www.lottotainment.com.hk.