亞洲資產(控股)有限公司
ASIAN CAPITAL RESOURCES (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8025)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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This announcement, for which the directors of Asian Capital Resources (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Asian Capital Resources (Holdings) Limited. The directors, 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; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2009 (2008: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and loss attributable to shareholders

The total turnover of the Group for the year ended 31 December 2009 was approximately HK$27,395,000 (2008: HK$120,058,000) which was decreased by approximately 77.19% as compared to that of the previous financial year. The Board noticed one of the significant reasons for the decrease in the total turnover of the Group was the impact of the reduced turnover of Ever-OK, which is directly attributable to the general downturn in the global economy, which has affected the entire logistics industry in the PRC.

The Group's gross profit margin increased from 12.67% for the year ended 31 December 2008 to 19.83% for the current period. The increase in gross profit margin is due to the Board's implementation of measures which have reduced the Group's overheads and operating costs, including the initiation of the deregistration of subsidiaries within the Group which no longer derive any benefit for the Company.

The audited consolidated loss from operations for the year ended 31 December 2009 was approximately HK$71,469,000 which has increased by 14.26% compared with the corresponding period last year, HK$62,549,000. The increase in loss for the year is mainly attributable to the substantial provision made for asset impairment loss in respect of the intangible assets of the Group of HK$16,338,000. Provision has been made for asset impairment loss on the intangible assets of the Group as the Board on the recommendation of the Company's auditors has adopted a prudent approach and determined that based on HKAS 36 an impairment on assets provision should be made on the intangible assets of the Group. The intangible assets of the Group represent an exclusive right of usage of Broadcast of Audio-Video Program On Web Permit (信息網絡傳播視聽節目許可證) (the "Permit") granted by the holder of the Permit (the "Holder") to a subsidiary of the Company under an exclusive agreement entered into between that subsidiary of the Company and the Holder. The Permit commenced on 1 October 2007 and will expire on 30 September 2015.

Financial cost

The financial cost of the Group for the year ended 31 December 2009 was approximately HK$680,000 (2008: HK$425,000) which was increased by approximately 60% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the year ended 31 December 2009, the Group's borrowing consists of an amount due to the ultimate holding company of HK$15,919,000. The Group had a cash balance of approximately HK$1,863,000 (2008: HK$6,543,000).

The Group continues to adopt a prudent treasury policy to maintain its cash balance either in Hong Kong Dollars, or in the local currencies of the operating subsidiaries, maintaining a minimum exposure to foreign exchange risks.

The issued share capital of the Group for the year ended 31 December 2009 has remained unchanged at HK$96,341,799.

Gearing Ratio

For the year ended 31 December 2009, the gearing ratio of the Group, expressed as a percentage of total borrowings over total assets, was 8.47% (2007: 4.25%).

Employee and remuneration policies

For the year ended 31 December 2009, the Group employed a total of 28 employees (as at 31 December 2008: 156), of which 4 were located in Hong Kong and the remaining 24 were located in the PRC. The Group's remuneration policies are in line with the prevailing market practices and formulated on the basis of performance and experience of the employees. The salary and related benefits of the employees are rewarded on a performance related basis and the general remuneration structure of the Group is subject to review annually.

Material acquisitions and disposals of subsidiaries and affiliated companies

Deregistration and Winding-Up of various Subsidiaries in the Group

Those subsidiaries which are currently in the deregistration process are: AIR Logistics International Holdings Limited (BVI), AIR Logistics International Holdings Limited, AIR SQW Limited, Asian Information Resources Consultants Limited, Chinareference.com Limited, Easy On Logistics Limited, Explore International Limited, Explore Limited, Sinobase Asia Limited, Sino Resource Investments Limited, Asian Information Resources Techlogic Limited (which is the direct holding Company of Ever-OK International Forwarding Co., Limited (PRC)).

Those subsidiaries which have been deregistered during the period are: AIR Logistics International Limited (BVI), Easy On Logistics Limited, e-Daily Limited and Forest Information Technology Company Limited.

Those subsidiaries which are currently being voluntarily wound up are: Asian Information Investment Consulting Limited, BuyCollection.com Limited, and Myhome Network Limited.

Material Litigation and Contingent Liabilities

Neither the Company nor any of its subsidiaries is involved in any litigation or claim of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

OPERATIONAL REVIEW

During the period under review, the Group continued its focuses on and reviewed the long-term prospects of its core business in logistics services and information technology, whilst seeking to further enlarge its revenue base through the provision of IPTV services to the greater southern China region. The Company has a sufficient level of operations in logistics and IPTV services and has sufficient assets to operate its business as a going concern. The Company does not have any financial difficulties to an extent which may seriously impair the Company's ability to continue its business. The Company also has, in addition to those assets held by the IPTV division, sufficient assets to operate its business due to the continuing support of the major shareholder of the Company.

The Board anticipates, that given the volatile economic outlook at present, which is expected to persist in the near future, as expressed by the president of the People's Republic of China, which is the jurisdiction in which the Company primarily operates, that for forthcoming periods the expected revenue base of the Group will not improve significantly, as had been forecast at the time that the acquisition of the IPTV division was contemplated.

The Board continues to address the revenue issue that is a direct result of the unstable economic outlook at present, through the implementation of viable strategies, as outlined below, including the diversification of allocation of future funding within the Group, which will see the Group move towards other opportunities for the generation of significant revenue for the Group, which will allow the Group to ultimately generate long-term and sustainable returns to the Company's shareholders. The Board, looking forward, is contemplating transferring the investment operations of the Group, which will allow the Company to focus on investing in projects which will derive value for the Company's shareholders, and pave the way for the Company's future growth, both in terms of revenue streams and profits achieved from its business operations.

Shareholders and potential investors were advised by the Board in the Company's announcement dated 3 November 2009 (the "Announcement") that the Board was informed by the management of Ever-OK International Forwarding Co., Limited ("Ever-OK") that Ever-OK is not operating as a profitable entity, and that the achievement of profitability in the foreseeable future is not a realistic possibility. Given that information, and given the Board's desire to focus on the newly acquired IPTV division, the Board has determined that it is in the best interests of the Company, and the Company's shareholders as a whole, to initiate the closure of the business of Ever-OK.

Shareholders and potential investors are advised that the Board, through the acquisition of the IPTV division, and the implementation of the launch of the second phase of the provision of IPTV services on 1 October 2009, has been concentrating and reallocating the Company's resources and other assets within the Group to the IPTV division, in an effort to improve the profitability of the Group, and enhance the potential future returns to the shareholders of the Company. The initiation of the closure of the business operations of Ever-OK, as announced in the Announcement, is in line with the Board's strategy of closing all non-profitable operations of the Group, whilst focusing more resources on the IPTV division, which the Board is confident produces a sufficient level of operations to enable the Company to operate as a going concern and achieve future profitability for the Group, and enhance the potential future returns to the Company's shareholders as a whole.

The Board is of the view that, after the closure of the business operations of Ever-OK, the Company will, with regard to the existing client base and revenue streams that are expected to be generated by the IPTV division, continue to have a sufficient level of operations in the IPTV division, and has sufficient assets to operate its business as a going concern. The Board does not anticipate that the Company will have any financial difficulties to an extent which may seriously impair the Company's ability to continue its business in the forthcoming periods. The Board, with a view to further expansion of the Group's IPTV division in the greater southern China region in 2010 will consider raising additional finance in order to provide additional equity funding to the Group by way of a further issue of the Company's shares or private placement of the Company's shares in the forthcoming periods of 2010.

Performance of operating divisions

Logistics Services

Notwithstanding the management's efforts in rationalizing the Group's operations and enhancing the Group's cost efficiency the aim to attain profitability in the logistics division had not been achieved. The management of the Company had put a great deal of effort into improving profitability of Ever-OK through the reduction of the company's operating costs which were incurred by its branches and subsidiaries.

This division of the Group generated the majority of the returns the Group derived from its business operations during the period. However the ongoing poor global economic conditions unfortunately had a significant impact on the financial performance that has been achieved from the Group's logistics division. Nevertheless the Board had been diligent in protecting the Group by containing the losses to a much lower level in terms of the logistics operations.

Given the difficulties that the Board had encountered with the Group's logistics division, and with regard to the Board's attempts to focus on the development of the IPTV division and reduce the logistics division's operating costs in order to reduce the losses which have been incurred which are a result of the impact of the reduced turnover of Ever-OK, which is directly attributable to the general downturn in the global economy, which unfortunately, given the present economic climate, have been unsuccessful, the Board has determined that it is in the best interests of the Company, and the Company's shareholders as a whole, to initiate the closure of the business of Ever-OK. In fact, the general downturn in the global economy has had a major adverse impact, not only on the turnover achieved by Ever-OK, but on the entire logistics industry as a whole in the People's Republic of China (the "PRC").

With regard to the general downturn in the global economy, this has had a materially adverse effect on the entire logistics industry in the PRC since early 2008, and is one of the main reasons the Board determined to initiate the closure of the business of Ever-OK. In fact, as previously reported, as to the ongoing poor economic conditions, it has been reported that with regard to the relevant China trade numbers, exports dived 26.4 per cent from May last year to US$88.76 billion, the result of a severe downturn in the demand by the mainland's major customers in North America and Europe. The decline extended the 22.6 per cent fall in April 2009. Imports also fell, dropping 25.2 per cent to US$75.37 billion, widening from a 23 per cent decline in April 2009 (source: South China Morning Post). It has also been reported that April's decline in exports, to US$91.9 billion, is bigger than March 2009's 17 per cent drop and suggests China's trade sector has yet to see much relief from the prolonged drought in demand brought on by the global economic downturn (source: Yahoo Finance).

The Board determined, upon the advice of the management of Ever-OK, that the reduction of this division's operating costs was unable to offset the general downturn in turnover, and with this in mind, the Board determined it was in the best interests of the Company, and the Company's shareholders as a whole, to initiate the closure of the Group's logistics business to further the aim of achieving profitability through other investments and operations of the Group which has been the Board's strategy since September 2008.

Another factor that the Board has had regard to in determining to initiate the closure of the business of Ever-OK, is the fact that in order to comply with the regulatory regime that applies to the logistics industry in the PRC, the Board was informed by the management of Ever-OK that Ever-OK would be required to expend a large sum of its working capital to meet the ongoing and new compliance costs that Ever-OK was facing, and this would have led to the Group incurring a large amount of additional operating costs, which in turn would have had a profoundly negative impact on the Group's business operations and the returns that could be achieved therefrom.

One such compliance issue that Ever-OK had encountered, which is an ongoing obligation which Ever-OK had to meet, related to the fact that on 19 June 2007 the Water Carriage Division of the Ministry of Communication of the PRC issued a notice to all international liner service operators, demanding the enforcement of the "Regulations of the People's Republic of China on International Maritime Transportation", which required that: (i) when concluding agreements on negotiated rates with Non-Vessel Operating Common Carriers, ("NVOCCs") international liner service operators shall make sure that such NVOCCs have registered their bills of lading and paid the required surety bond in accordance with the provisions of these regulations; and (ii) an operator of international shipping services shall not accept cargo or containers from a NVOCC who fails to register its bill of lading and deposit the surety bond. The management of Ever-OK had reported that compliance with such regulations would have a negative impact on the logistic services business of the Company in the coming periods as a result of the higher compliance costs and additional demand for working capital.

In fact it was determined by the Board, prior to initiating the closure of Ever-OK, that the current working capital resources of Ever-OK would not be sufficient to meet the ongoing regulatory compliance costs that Ever-OK faced, and that an further injection of capital from the Company would be required if Ever-OK were to continue as a viable business entity in its own right. Considering this, the Board determined, after a critical review of Ever-OK's operations, that it would not be in the best interests of the Company to inject further capital into Ever-OK, a non-profit making entity of the Group, rather such resources should be allocated to the IPTV division, rather than incurring additional operational expenses in the logistics division, for which the Board is of the view, would not realize any additional benefit to the Company.

Concerning the initiation of the closure of the business operations of Ever-OK, during the fourth quarter of 2009 representatives of the Board have held several meetings with the management of Ever-OK to determine the best method for the closure of the business of Ever-OK which will realize any value from Ever-OK for the Company, whilst protecting the Company against any unforeseen liabilities that may have been incurred by Ever-OK. To this end the Company has established a 'dissolution committee' which will oversee the closure of the business operations of Ever-OK, and its subsequent deregistration form the Group. During the dissolution process of Ever-OK the existing president of Ever-OK has agreed to remain as the legal representative of Ever-Ok to oversee the dissolution process, until all the branches of Ever-OK have been closed.

In initiating the closure of the business operations of Ever-OK, regard has been had for whether any value can be realized from the closure of the business operations of Ever-OK and its subsequent deregistration from the Group. In this regard the Board has sought the independent legal advice of lawyers based in the PRC who are familiar with the logistics business. The Board has been advised that the Company would not be able to realize any value from the operating licenses that Ever-OK possesses as they are personal to Ever-OK and cannot be transferred or sold to any other entities. It has been agreed between the Board and the management of Ever-OK that Ever-OK will not renew its existing operating licenses.

Regarding Ever-OK's outstanding liabilities, the management of Ever-OK has advised the Board that presently, that of all the Ever-OK subsidiaries based in the PRC, there are two branches that have outstanding tax liabilities which amount to approximately RMB8,000. The management of Ever-OK has assured the Board that these liabilities would be discharged by the management of Ever-OK. Furthermore, to ensure that there are no unidentified tax liabilities with any of the other subsidiaries of Ever-OK, the Board has instructed the management of Ever-OK to employ a firm of auditors based in the PRC to conduct a financial due diligence over all the subsidiaries of Ever-OK prior to their deregistration.

The management of Ever-OK has also advised that Board, that of all the Ever-OK subsidiaries based in the PRC, there are three branches that have issues that need to be resolved prior to deregistration. Those are the Shanghai, Shenzhen and Guangzhou branches. For the Shenzhen branch the management of Ever-OK has advised that a three year audit on that branch's accounts needs to be completed prior to its deregistration. Other than the three branches mentioned, the management of Ever-OK has advised that it will proceed to have all the other branches of Ever-OK based in the PRC closed.

The Board, in discharging its fiduciary duties to the Company to protect the value of the Company and its future interests, has indicated to the management of Ever-OK that the Company wishes to ensure the proper discharge and resolution all the existing and potential future liabilities of Ever-OK which may have arisen during the past business operations of Ever-OK. To this end, the Board has requested the management of Ever-OK to ensure that all existing and potential liabilities of Ever-OK and each of its subsidiaries are identified and resolved prior to the deregistration of each subsidiary. In order to ensure that the Company would not face any legal liability for any acts or omissions of Ever-OK during the time that it has carried on business in the PRC, the Board has initiated the deregistration of Ever-OK's immediate holding companies which are subsidiaries within the Group, being Sino Resource

Investments Limited, and Asian Information Resources Techlogic Limited (which is the direct holding Company of Ever-OK). The deregistration of these two companies, will in the Board's view, ensure that the Company is not liable for any future expenses or other unforeseen liabilities which may arise upon the closure of the business operations of Ever-OK and its branches that have not been resolved prior to their respective deregistrations.

The Board is of the view that the initiation of the closure of the business operations of Ever-OK will not have an adverse effect on the Group, rather such closure, which will allow the Group to reduce its operating costs, will lead, it is anticipated, towards the Group achieving profitability in future periods. The Board is further of the view that, after the closure of the business operations of Ever-OK, the Company will, with regard to the existing client base and revenue streams that are expected to be generated by the IPTV division, has a sufficient level of operations in the IPTV division, and has sufficient assets to operate its business as a going concern. The Board does not anticipate that the Company will have any financial difficulties to an extent which may seriously impair the Company's ability to continue its business.

Internet Protocol Television Services

The Board believes that the acquisition of the IPTV division will, once the general global economy improves, provide the basis for the generation of long-term and sustained revenue streams for the Group which in turn will improve the returns to the shareholders of the Company. The Board has concluded the implementation of the initial phases of the launch the provision of the IPTV services. The Board is hopeful and expectant the general world economy will further improve in the forthcoming periods, and with such improvement, that the revenue base of the IPTV division will improve accordingly.

During the first six months of 2009, the Board concentrated on finalizing all developments in its IPTV services and officially launched the first phase of the provision of IPTV services to the greater southern China region in the second quarter of 2009. The Board successfully diversified the provision of IPTV services in the second quarter of 2009 such that it concluded a contract for the contracting of media software platforms for the provision of IPTV services to an established client base of approximately 50,000 consumers. It has taken time for the subscribers to the IPTV services and the market to test and get themselves receptive to the pay for the IPTV services that the IPTV division has introduced, as such the expected revenue streams were not achieved from the IPTV division in the fourth quarter of 2009 as had been initially anticipated, and in order to address this particular issue the Board has recommended that management initiate a large scale marketing and advertising campaign in 2010, which will be directed at securing more subscribers for the IPTV services, hence increasing the revenue streams of this division.

Having secured the necessary operating licenses and having achieved the necessary technology investment during the period under review, such as an agreement with Microsoft for the provision of IPTV services, the Board is now of the view that, having regard for the investment into the IPTV division, and the agreements that have been secured with the providers of the IPTV services, and the subsequent subscribers to those IPTV services, that a sufficient foundation is now in place upon which the Company will launch a marketing campaign aimed at achieving more subscribers for the IPTV services, and hence increasing the total revenue that will be achieved by this division.

Having successfully launched the second phase of the provision of its IPTV services on 1 October 2009, the Board has determined that it will need to undertake a significant marketing and advertising campaign which is expected will attract more consumers and enlarge the IPTV division's client base in the greater southern China region through the additional subscriptions for the IPTV services. In order to effect such a large marketing and advertising campaign the Board estimates that the Company will be required to invest a large portion of its financial resources into such a campaign, and with regard to this fact, to finance the expansion of the IPTV division's operating activities in the greater southern China region in 2010, and in order to provide sufficient working capital to the Group to carry on its normal business operations, the Board will consider raising additional finance in order to provide additional equity funding to the Group by way of a further issue of the Company's shares or private placement of the Company's shares to private investors in the forthcoming periods of 2010.

The Board will continually assess and review the revenue and cash flows that are expected to be derived from the project in these periods with a view to achieving a positive return on investment for the Group which will be of great benefit to the Company's shareholders as a whole. The total revenue expected to be generated from this division will be lower than originally forecast slightly at the beginning of 2010, but in view of the expected growth in the gross domestic product of the PRC and the growing income of China's affluent society in the forthcoming years, and the intended marketing and advertising campaign to be launched in the forthcoming periods of 2010, the revenue derived from this division is expected to increase in future periods.

Shareholders shall be kept informed of any developments in this sector, and shall be fully advised of the Board's intentions regarding the progress of the IPTV services, and the additional revenue to the Group which is expected to be derived therefrom.

Financial Consultancy

Apart from the aforementioned operations, the Group continues to explore investment opportunities which are strategic to its business operations and which will contribute significantly to the return of our shareholders.

With the acquisition of Vega International Group Limited ("Vega"), which is principally engaged in the provision of services in corporate finance and investment, project planning and development, technology project brokerage services, corporate development services, management consulting and post-acquisition advisory and professional management services, the Group is expanding and exploring further opportunities for development in the corporate finance sector which will further contribute to the current revenue streams generated by the Group.

The Group is still in the process of negotiating a number of contracts for the provision of financial consultancy services by Vega with companies in the southern China region. The Board envisages that such services, if agreed, will encompass the establishment of financial advisory offices which will provide investment, financial and project management advise to other companies regarding potential investments in the China region. In terms of these consultancy services, they will be negotiated in the normal course of business and shareholders will be kept informed of this division as it progresses, and of the additional revenue to the Group which is expected to be derived therefrom.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognizes that such commitment is essential in upholding the accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

Compliance with Corporate Governance Code

To ensure compliance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules, the Board will continue to monitor and revise the Company Code to bring our corporate governance practices in line with the changes in the environment and requirements of the Code.

In the opinion of the Directors, the Company has complied with all the provisions of the Code, for the year ended 31 December 2009, except:

(i) under code provision A.2.1 of the 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. The Company has set out in written terms the responsibilities between the chairman and chief executive officer. At present, Mr. Xie Xuan, the chairman of the Company, also undertakes the responsibilities of the chief executive officer until a replacement for the chief executive officer is found. The Company considers that under the supervision of its Board and its Independent Non-executive Directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

(ii) under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing Non-executive Directors of the Company are appointed for a specific term. This constitutes a deviation from the code provision. However, all the Non-executive Directors of the Company are subject to retirement by rotation at annual general meetings pursuant to the articles of association of the Company.

(iii) under code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting to answer questions at the annual general meeting. The Chairman of the Company, Mr. Xie Xuan, had not attended the Company's annual general meeting for 2009 due to other business commitments.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Company has made specific enquiry to all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the year ended 31 December 2009.

Internal Control

The Directors have reviewed and are satisfied with their ability to comply with the policies installed as part of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions. Furthermore, the Directors are satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programs and budget.

AUDIT COMMITTEE

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising Independent Non-executive Directors, namely Mr. Zhang Daorong, Mr. Wu Jixue and Dr. Feng Ke, and has adopted terms of reference governing the authorities and duties of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this announcement and has provided advice and comments thereon.

SHARE CAPITAL AND SHARE OPTIONS

The issued share capital of the Group for the year ended 31 December 2009 has remained unchanged at HK$96,341,799.

For the year ended 31 December 2009, there were 97,840,073 ordinary shares of HK$0.10 each in the capital of the Company ("the Option Shares") and which fall to be issued upon exercise of the Option Shares at the exercise price of HK$0.275 per Option Share (2008: 97,840,073).

The Company had a share option scheme, under which it could grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options. The Company's employee share option scheme commenced on 2 December 1999 and has expired on 1 December 2009. No employee share options were granted during the year and no employee share options were outstanding at the beginning and end of the year.

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the interests and short positions of the Directors and the chief executive and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, and pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Long positions

Name of Director	**Capacity/ Nature of interests**	**Number of Issued ordinary shares held**	**Approximate percentage holding**
Mr. Qiu Yue *(Note 1)*	Interest of a controlled Corporation	18,620,436	1.93%
Mr. Qiu Yue	Beneficial Owner	15,600,000	1.62%
Total		**34,220,436**	**3.55%**

Note 1: The controlled corporation is Lucky Peace Limited, which is incorporated in Samoa, and which is 100% wholly-owned by Mr. Qiu Yue.

Other than as disclosed above, none of the Directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2009.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER THE SFO

As at 31 December 2009, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Asian Dynamics International Limited *(Note 1)*	Beneficial owner	Corporate	546,842,132	56.76%
Concord Square Limited	Beneficial owner	Corporate	83,914,000	8.71%
Aldgate Agents Limited *(Note 2)*	Beneficial owner	Corporate	66,120,000	6.86%
Mongolia Energy Corporation Limited	Interest of a controlled corporation	Corporate	66,120,000	6.86%

Notes:

1. Asian Dynamics International Limited is a company incorporated in the British Virgin Islands and beneficially owned by Asian Wealth Incorporated, Denwell Enterprises Limited, Glamour House Limited, Mr. Chan Chi Ming and Mr. Chau Tak Tin.

2. Aldgate Agents Limited is a wholly owned subsidiary of Mongolia Energy Corporation Limited, previously known as New World Cyberbase Limited, a company listed on the Stock Exchange (stock code 276). Their interests in the shares of the Company duplicate with each other.

Save as disclosed above, as at 31 December 2009, no persons, other than the Directors and chief executive of the Company, whose interests are set out under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in any shares, underlying shares or debentures of the Company that was required to be recorded under Section 336 of the SFO.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company or their respective associates had an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

MANAGEMENT SHAREHOLDER

As far as the Directors are aware of, other than Asian Dynamics International Limited, Concord Square Limited, Mongolia Energy Corporation Limited, and Aldgate Agents Limited, as disclosed above, there was no other person during the year ended 31 December 2009 who was directly or indirectly interested in 5% or more of the shares then in issue of the Company and who was able, as a practicable matter, to direct or influence the management of the Company.

INDEPENDENT AUDITORS

The financial statements for the year have been audited by Pan-China (H.K.) CPA Limited. NCN CPA Limited retired at the last annual general meeting of the Company and was reappointed in the name of Pan-China (H.K.) CPA Limited. Pan-China (H.K.) CPA Limited retire and offer themselves for re-appointment as auditors of the Company at the next annual general meeting of the Company.

EXTRACT FROM MODIFIED INDEPENDENT AUDITORS' REPORT

The auditors express an unqualified opinion but modify the auditors' report by drawing attention to the following fundamental uncertainly:

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosure made in note 3 to the financial statements regarding the going concern of the Group and the steps being taken by the directors to improve the position. The Group had net current liabilities and loss attributable to owners of the Company of approximately HK$145,487,000 and HK$48,942,000 respectively as at 31 December 2009. The directors of the Company endeavor to improve the Group's financial position and had taken measures to reduce overheads and costs. Furthermore, the directors of the Company are currently exploring various options, which include the issue of new shares, in order to provide additional equity funding to the Group. In addition, the ultimate holding company has agreed to provide continuing financial support for the Group to meet its liabilities as they fall due and the directors consider the new business operation acquired previously would generate sufficient working capital to support the Group's operations. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available and the continuing financial support given by the ultimate holding company. The financial statements do not include any adjustments that would result from the failure to obtain such future funding or financial support. We consider that the fundamental uncertainty has been properly disclosed in the financial statements and our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	4(a)	**27,395**	120,058
Cost of services		**(21,962)**	(104,835)
Gross profit		**5,433**	15,223
Other revenue	4(b)	**922**	856
Administrative and operating expenses		**(77,038)**	(42,263)
Impairment of goodwill		**–**	(35,901)
Loss from operations		**(70,683)**	(62,085)
Finance costs	6	**(680)**	(425)
Loss before taxation	7	**(71,363)**	(62,510)
Income tax expense	8	**(106)**	(39)
LOSS FOR THE YEAR		**(71,469)**	(62,549)
Other comprehensive income:			
Exchange difference on translation of the financial statements of foreign operations		**1,003**	(1,088)
Other comprehensive income for the year, net of tax		**1,003**	(1,088)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(70,466)**	(63,637)
LOSS ATTRIBUTABLE TO			
– owners of the Company		**(48,942)**	(58,120)
– non-controlling interest		**(22,527)**	(4,429)
		(71,469)	(62,549)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
– owners of the Company		**(48,223)**	(59,177)
– non-controlling interests		**(22,243)**	(4,460)
		(70,466)	(63,637)
Dividends	9	**NIL**	NIL
		HK cents	*HK cents*
Loss per share:	10		
– Basic		**(5.08)**	(8.00)
– Diluted		**N/A**	N/A

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**1,518**	3,215
Development costs		**–**	–
Intangible assets	12	**174,913**	219,585
		176,431	222,800
CURRENT ASSETS			
Trade and other receivables	13	**9,805**	32,914
Cash and bank balances		**1,863**	6,543
		11,668	39,457
CURRENT LIABILITIES			
Bank overdraft – unsecured		**–**	126
Trade and other payables	14	**156,929**	165,527
Tax payable		**226**	222
		157,155	165,875
NET CURRENT LIABILITIES		**(145,487)**	(126,418)
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,944**	96,382
NON-CURRENT LIABILITIES			
Amount due to a director		**(6,602)**	(6,353)
Amount due to ultimate holding company		**(15,919)**	(11,140)
		(22,521)	(17,493)
NET ASSETS		**8,423**	78,889
CAPITAL AND RESERVES			
Share capital	15	**96,342**	96,342
Reserves		**(165,759)**	(117,536)
Deficit attributable to owners of the Company		**(69,417)**	(21,194)
Non-controlling interests		**77,840**	100,083
NET EQUITY		**8,423**	78,889

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2009

	Attributable to equity shareholders of the Company							
	Issued share capital	**Share premium**	**Capital reserve**	**Translation reserve**	**Accumulated losses**	**Sub-total**	**Non-controlling Interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	63,933	97,008	26,020	(775)	(203,297)	(17,111)	817	(16,294)
Loss for the year	–	–	–	–	(58,120)	(58,120)	(4,429)	(62,549)
Exchange difference arising on translation of foreign operations	–	–	–	(1,057)	–	(1,057)	(31)	(1,088)
Total comprehensive income for the year	–	–	–	(1,057)	(58,120)	(59,177)	(4,460)	(63,637)
Issue of shares	32,409	22,685	–	–	–	55,094	–	55,094
Non-controlling interests arising on acquisition of interests in a subsidiary	–	–	–	–	–	–	103,726	103,726
At 31 December 2008 and at 1 January 2009	96,342	119,693	26,020	(1,832)	(261,417)	(21,194)	100,083	78,889
Loss for the year	–	–	–	–	(48,942)	(48,942)	(22,527)	(71,469)
Exchange difference arising on translation of foreign operations	–	–	–	719	–	719	284	1,003
Total comprehensive income for the year	–	–	–	719	(48,942)	(48,223)	(22,243)	(70,466)
At 31 December 2009	96,342	119,693	26,020	(1,113)	(310,359)	(69,417)	(77,840)	8,423

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of this annual report.

The financial statements are presented in Hong Kong dollars, the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are investment holdings, provision of on-line content information and related technical services, information technology solutions and consultancy services, logistic services and internet protocol television services.

In the opinion of the directors, the ultimate holding company is Asian Dynamics International Limited, a company incorporated in the British Virgin Islands.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In the current year, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & HKAS1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRS (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5that is effective for annual periods beginning or after 1 July 2009
HKFRS (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the financial statements of the Group and the Company for the current and prior accounting periods.

(a) HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

(b) HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 7) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

(c) Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in relation to fair value measurements in accordance with the transitional provision set out in the amendments.

The Group and the Company have not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendments)	Classification of Rights Issues[4]
HKAS 39 (Amendments)	Eligible Hedged Items[1]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of Minimum Funding Requirement[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity[6]

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for annual periods beginning on or after 1 February 2010.
[5] Effective for annual periods beginning on or after 1 January 2011.
[6] Effective for annual periods beginning on or after 1 July 2010.
[7] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of HKAS39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on financial statements.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by HKICPA. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments and intangible assets, which have been measured at fair value.

Going concern

The Group had net current liabilities and loss attributable to owners of the Company of approximately HK$145,487,000 and HK$48,942,000 respectively as at 31 December 2009. The directors of the Company endeavor to improve the Group's financial position and had taken measures to reduce overheads and costs. Furthermore, the directors of the Company are currently exploring various options, which include the issue of new shares in order to provide additional equity funding to the Group. In addition, the ultimate holding company has agreed to provide continuing financial support for the Group to meet its liabilities as they fall due and the directors consider the new business operation acquired previously would generate sufficient working capital to support the Group's operations.

The directors are of the view that the above measures will enable the Group to continue as a going concern and that the Group will have sufficient working capital for its present requirements. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on the going concern basis.

4. REVENUE

(a) An analysis of the Group's turnover for the year is as follows:

	2009	2008
	HK$'000	*HK$'000*
Content solution service and business consultation – project fees	**–**	27
Logistics service fees	**27,395**	120,031
	27,395	120,058

(b) An analysis of the Group's other revenue for the year is as follows:

	2009	2008
	HK$'000	*HK$'000*
Other income	**418**	790
Gain on disposal of property, plant and equipment	**–**	42
Impairment on other receivable written back	**481**	–
Interest income	**4**	24
Exchange gains	**19**	–
	922	856

5. SEGMENTAL INFORMATION

Segment information reported to the chief operating decision maker, directors of the Company, is the type of services rendered by the Group's operating division for the purposes of resource allocation and performance assessment. The Group's operating and reportable segments under HKFRS 8 are as follows:

The Group is currently organized into three major business divisions:

(i) content solution and business consultation services;

(ii) logistics services; and

(iii) internet protocol television services.

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

Segment revenue represents revenue generated from external customers. There were no inter-segment sales in the year (2008: Nil).

Segment result represents the loss incurred by each segment without allocation of corporate income and expense, central administration cost, directors' salaries, interest income, gain/loss on disposal of property, plant and equipment, impairment on i) trade and other receivables, ii) amount due from related companies and iii) intangible assets, and finance costs.

Segment assets include all tangible, intangible assets and current assets.

Segment liabilities include all trade and other payables other than tax payable.

(a) **Segment revenues and results**

	2009 *HK$'000*			
	Content solution and business consultation services	**Logistics services**	**Internet protocol television services**	**Total for reportable segments**
Segments revenue	**–**	**27,395**	**–**	**27,395**
Segments results	**(1)**	**(833)**	**(5,062)**	**(5,896)**
Interest income				**4**
Unallocated corporate income				**918**
Unallocated corporate expenses				**(6,275)**
Loss on disposal of property, plant and equipment				**(408)**
Impairment of trade receivables				**(9,103)**
Impairment of other receivables				**(5,353)**
Impairment of amount due from related companies				**(4)**
Amortisation of intangible assets				**(28,334)**
Impairment of intangible assets				**(16,338)**
Finance costs				**(680)**
Consolidated loss before taxation				**(71,469)**

	2008 *HK$'000*			
	Content solution and business consultation services	Logistics services	Internet protocol television services	Total for reportable segments
Segments revenue	27	120,031	–	120,058
Segments results	(24)	(2,159)	(2,462)	(4,645)
Interest income				24
Unallocated corporate income				790
Unallocated corporate expenses				(7,600)
Gain on disposal of property, plant and equipment				42
Impairment of trade receivables				(5,875)
Impairment of other receivables				(1,876)
Impairment of goodwill				(35,901)
Amortisation of intangible assets				(7,083)
Finance costs				(425)
Consolidated loss before taxation				(62,549)

(b) **Segment assets and liabilities**

	2009 *HK$'000*			
	Content solution and business consultation services	**Logistics services**	**Internet protocol television services**	**Total for reportable segments**
Segments assets	**–**	**2,208**	**184,379**	**186,587**
Unallocated assets				**1,512**
Consolidated assets				**188,099**
Segment liabilities	**(64)**	**(29,132)**	**(33,468)**	**(62,664)**
Unallocated liabilities				**(117,012)**
Consolidated liabilities				**(179,676)**

	2008 *HK$'000*			
	Content solution and business consultation services	Logistics services	Internet protocol television services	Total for reportable segments
Segment assets	68	30,354	226,151	256,573
Unallocated assets				5,684
Consolidated assets				262,257
Segment liabilities	(64)	(43,056)	(25,312)	(68,432)
Unallocated liabilities				(114,936)
Consolidated liabilities				(183,368)

(c) Other segment information

	2009 *HK$'000*		
	Content solution and business consultation services	**Logistics services**	**Internet protocol television services**
Capital expenditure	–	63	94
Depreciation of property, plant and equipment	–	319	694
Amortisation of intangible assets	–	–	28,334
Impairment of intangible assets	–	–	16,338
Impairment of trade receivables	–	8,989	114
Impairment of other receivables	69	–	–

	2008 *HK$'000*		
	Content solution and business consultation services	Logistics services	Internet protocol television services
Capital expenditure	–	224	159
Depreciation of property, plant and equipment	–	349	202
Amortisation of intangible assets	–	–	7,083
Impairment of goodwill	–	–	35,901
Impairment of trade receivables	–	5,875	–
Impairment of other receivables	–	1,841	–

(d) Geographical information

The Group's operations are mainly located in the PRC.

The Group's revenue from external customers by geographical location are detailed below:

	2009 *HK$*	2008 *HK$*
PRC	**27,395**	120,031
Hong Kong	**–**	27
	27,395	120,058

Non-current assets are mainly located in the PRC.

(e) **Information about major customers**

The Group's customer base is diversified and no customer (2008: Nil) with whom transactions have exceeded 10% of the group's revenues.

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Other interest	**680**	425

7. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	2009	2008
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration)		
– Wages, salaries and other benefits	**2,715**	3,546
– Retirement benefits scheme contributions	**176**	565
Auditors' remuneration		
– current year	**550**	700
– over-provision in previous year	**(120)**	–
Depreciation of property, plant and equipment	**1,205**	688
Amortisation of intangible assets	**28,334**	7,083
Impairment of trade receivables	**9,103**	5,875
Impairment of other receivables	**5,353**	1,876
Impairment of goodwill	**–**	35,901
Impairment of intangible assets	**16,338**	–
Loss on disposal of property, plant and equipment	**408**	–
Operating lease rentals in respect of land and buildings	**1,762**	1,910
Legal and professional fees	**891**	1,932
Net foreign exchange loss	**–**	6

8. INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of comprehensive income represents:

	2009 *HK$'000*	2008 *HK$'000*
Current tax – Hong Kong Profits Tax		
Charge for the year	**–**	–
Under-provision in previous years	**106**	–
	106	–
Current tax – PRC Enterprise Income Tax		
Charge for the year	**–**	39
	106	39
Deferred tax	**–**	–
Tax charge	**106**	39

Hong Kong profits tax is calculated at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year.

PRC subsidiaries are subject to PRC Enterprise Tax at the rate of 25% (2008: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(b) Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	2009 *HK$'000*	2008 *HK$'000*
Loss before taxation	**(71,363)**	(62,510)
Notional tax on loss before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**(15,068)**	(7,754)
Income not subject to tax	**(121)**	(58)
Expenses not deductible for tax purposes	**5,536**	4,966
Unrecognised tax losses	**9,653**	2,885
Tax under-provision in previous years	**106**	–
Income tax expense for the year	**106**	39

(c) Deferred tax asset has not been recognised for the year (2008: Nil) in respect of the unused tax losses due to the unpredictability stream of future taxable profits that will be available against which the tax losses can be utilised.

There are no material unrecognized deferred tax assets and liabilities for the year.

9. DIVIDEND

The directors do not recommend the payment of any dividends for the year ended 31 December 2009 (2008: Nil).

10. LOSS PER SHARE

(a) The basic loss per share is calculated based on the Group's loss attributable to shareholders of approximately HK$48,942,000 (2008: HK$58,120,000) and the weighted average number of 963,417,986 shares (2008: 726,349,368 shares) in issue during the year.

(b) No diluted loss per share is presented as there are no dilutive potential ordinary shares in issue for each of the year ended 31 December 2009 and 2008.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *HK$'000*	**Furniture and fixtures** *HK$'000*	**Computer and equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost:					
At 1 January 2008	824	823	4,058	957	6,662
Additions	6	65	310	109	490
Acquired on business combination	766	333	1,745	–	2,844
Disposals	–	–	(32)	(143)	(175)
Exchange difference	48	56	208	97	409
At 31 December 2008 and at 1 January 2009	1,644	1,277	6,289	1,020	10,230
Additions	16	–	154	–	170
Disposals	(1,346)	(617)	(2,282)	(431)	(4,676)
Exchange difference	(22)	(14)	(49)	(52)	(137)
At 31 December 2009	292	646	4,112	537	5,587
Accumulated depreciation and impairment losses:					
At 1 January 2008	481	675	3,753	814	5,723
Charge for the year	194	122	316	56	688
Acquired on business combination	128	115	117	–	360
Written back on disposal	–	–	(23)	(95)	(118)
Exchange difference	24	49	205	84	362
At 31 December 2008 and at 1 January 2009	827	961	4,368	859	7,015
Charge for the year	320	180	620	85	1,205
Written back on disposal	(913)	(595)	(2,148)	(360)	(4,016)
Exchange difference	7	15	(62)	(51)	(135)
At 31 December 2009	227	531	2,778	533	4,069
Net carrying amount:					
As at 31 December 2009	65	115	1,334	4	1,518
As at 31 December 2008	817	316	1,921	161	3,215

12. INTANGIBLE ASSETS

	2009 *HK$'000*	2008 *HK$'000*
Cost/valuation:		
At 1 January	**226,668**	–
Acquired on acquisition of a subsidiary	**–**	226,668
At 31 December	**226,668**	226,668
Accumulated amortisation and impairment losses:		
At 1 January	**7,083**	–
Amortisation for the year	**28,334**	7,083
Impairment for the year	**16,338**	–
At 31 December	**51,755**	7,083
Net carrying amount:		
As at 31 December	**174,913**	219,585

The intangible assets represent an exclusive right of usage of Broadcast of Audio-Video Program On Web Permit (信息網絡傳播視聽節目許可證) (the "Permit") granted by the holder of the Permit (the "Holder") to a subsidiary of the Company under an exclusive agreement entered into between that subsidiary of the Company and the Holder. The Permit commenced on 1 October 2007 and will expire on 30 September 2015. The fair value of the Permit on the date of acquisition of that subsidiary by the Company has been arrived at on the basis of a valuation carried out by Messrs. BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. Messrs. BMI Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar assets. The valuation was arrived at by reference to market evidence of recent transaction prices for similar assets. The intangible asset is amortised on a straight-line basis over 8 years.

As at 31 December 2009, the Company's intangible assets were appraised by Messrs. BMI Appraisals Limited and were carried in the consolidated statement of financial position at fair market value of RMB154,000,000. Impairment of approximately HK$16,338,000 was charged to the profit and loss.

13. TRADE AND OTHER RECEIVABLES

	2009 *HK$'000*	2008 *HK$'000*
Trade receivables	**237**	15,734
Prepayments, deposits and other receivables	**9,568**	17,180
	9,805	32,914

The credit terms granted by the Group to customers are determined on a case-by-case basis with reference to the size of sales contracts, recurrent sales with the customers and their credit history. The Group makes provision for trade receivables based on specific review. Provision is made against trade receivables after considering the amount due, creditability of customers and other qualitative factors.

An ageing analysis of the trade receivables of the Group as at the end of the reporting period is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**–**	1,498
31 to 60 days	**–**	1,421
61 to 90 days	**–**	811
91 to 150 days	**–**	549
Over 150 days	**9,226**	16,717
	9,226	20,996
Less: Impairment losses	**(8,989)**	(5,262)
	237	15,734

Trade receivables at the end of the reporting periods mainly comprise amounts receivable from provision of logistics services. No interest is charged on the trade receivables. The Group does not hold any collateral over these balances.

Debtors with net carrying amounts of approximately HK$237,000 (2008: HK$14,236,000) included in trade receivables are past due at the end of the reporting period for which no impairment loss had been provided as there is no significant change in credit quality and the amounts are still considered recoverable. The management of the Group monitors the recoverable amount of each individual trade debt and considers adequate impairment loss has been recognised for irrecoverable amount, if necessary.

An ageing of the Group's trade receivables which are past due but not impaired is as follows:

	2009	2008
	HK$'000	*HK$'000*
31 to 60 days	**–**	1,421
61 to 90 days	**–**	922
91 to 150 days	**–**	549
Over 150 days	**237**	11,344
	237	14,236

14. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**21,241**	31,225
Accruals and other payables	**133,439**	130,759
Advance payments from customers	**174**	1,468
Amount due to shareholders	**2,075**	2,075
	156,929	165,527

Accruals and other payables included balance of consideration payable of HK$86,350,000, to be satisfied by the issue of convertible notes of the Company, in respect of the acquisition of a subsidiary by the Group in previous year.

An ageing analysis of the trade payables of the Group as at the end of the reporting period, based on the date of completion of services provided by the suppliers to the Group, is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**–**	3,109
31 to 60 days	**–**	1,004
61 to 90 days	**–**	899
91 to 150 days	**–**	934
Over 150 days	**21,241**	25,179
	21,241	31,125

15. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised (Ordinary shares of HK$0.1 each):		
Balance at 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	2,000,000,000	200,000
Issued and fully paid (Ordinary shares of HK$0.1 each)		
Balance at 1 January 2008	639,335,418	63,933
Issue of shares *(note)*	324,082,568	32,409
Balance at 31 December 2008, 1 January 2009 and 31 December 2009	963,417,986	96,342

Note: On 24 September 2008, the Company issued and allotted 324,082,568 shares as part of consideration in connection with the acquisition of a subsidiary.

16. COMMITMENTS

(a) Capital commitments

At the end of the reporting period, the capital commitments outstanding contracted for but not provided in these financial statements are as follows:

	2009	2008
	HK$'000	*HK$'000*
Acquisition of property, plant and equipment	**–**	16,539

(b) Operating lease commitments

At the end of the reporting period, the Group had future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**331**	2,243
In the second to fifth years, inclusive	**10**	638
	341	2,881

17. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the company's Board of Directors on 26 March 2010.

By Order of the Board
Xie Xuan
Chairman

Hong Kong, 27 March 2010

As at the date of this announcement, the executive Directors of the Company are Mr. Xie Xuan (Chairman), Mr. Yang Qiulin, and Mr. Qiu Yue; the non-executive Directors are Mr. Lo Mun Lam Raymond (Vice Chairman), and Mr. Andrew James Chandler; and the independent non-executive Directors are Mr. Wu Jixue, Dr. Feng Ke and Mr. Zhang Daorong.

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