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 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 of the Stock Exchange 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 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 2010 (2009: 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 2010 was approximately HK$7,133,000 (2009: HK$27,395,000) which was decreased by approximately 73.96% as compared to that of the previous financial year. The main reason for the significant decrease in the total turnover of the Group was a result of the initiation of the closure in November 2009 of Ever-OK International Forwarding Co. Ltd ("Ever-OK"), which owned and operated the Group's logistics division.

The Group's gross profit margin increased from 19.83% for the year ended 31 December 2009 to 76.45% for the current period. The increase in gross profit margin is due to the closure of the non-profitable operations in Hong Kong and the PRC, which operated in the logistics industry which has a comparatively lower gross profit margin as compared to the Group's other continuing operations namely the internet protocol television ("IPTV") division's operations.

The audited consolidated loss from operations for the year ended 31 December 2010 was approximately HK$115,502,000 which has increased by 61.61% compared with the corresponding period last year, HK$71,469,000. The substantial increase in loss for the year is mainly attributable to the substantial provision being made for asset impairment loss in respect of the intangible assets of the Group of approximately HK$55,023,000, and the substantial provision being made for deferred income tax expense which would be generated from the intangible assets of the Group of approximately HK$22,368,000.

The intangible assets of the Group are comprised of the IPTV permit, namely the "Broadcast of Audio-Video Program On Web Permit" (信息網路傳播視聽節目許可證) (the "Permit") currently held by Guangzhou Wavecom Communications and Advertising Limited ("Guangzhou Wavecom"). Guangzhou Wavecom is a wholly-owned subsidiary of the Company and possession of the Permit allows Guangzhou Wavecom's subsidiary South Pearl Limited, to operate the Group's IPTV division in the greater southern China region. The Permit has been granted by Guangzhou Television Broadcast Microwave General Station ("Guangzhou Television Station") to Guangzhou Wavecom. Possession of the Permit allows, and is a prerequisite to South Pearl Limited being able to act as the exclusive service provider of Guangzhou Television Station's programmes, advertising and other IPTV services within the greater southern China region. The Permit commenced on 1 October 2007 and will expire on 30 September 2015.

The substantial provisions have been made for asset impairment loss on the Permit and for deferred income tax expense which would be generated from the Permit, as the Board, after having had regard for the applicable Hong Kong accounting standards which should be applied to the Company's 2010 annual results, has determined that based on HKAS 36 and HKAS 12, respectively, substantial provisions should be made for asset impairment loss on the Permit and for deferred income tax expense which would be generated from the Permit.

The Board notes that the substantial provisions for an asset impairment loss and the deferred income tax expense are non-cash items. Despite recording a substantial increase in the loss of the Group, which is mainly due to the aforementioned substantial provisions which have been recorded in the audited consolidated financial statements of the Company for the year ended 31 December 2010, the Group's businesses and operations have made positive contributions to the Group in 2010 and these aforementioned provisions are not expected to have a material adverse effect on the Group's cash flows.

The Board does not expect that the Company's ability to continue to operate as a going concern will be affected by the aforesaid substantial provisions being made for asset impairment loss and deferred taxation expenses on the Permit. With the continued financial support of the Company's immediate holding company, and with the positive revenue streams which have been and continue to be produced by the Group's IPTV division (as discussed in greater detail below), the Board is confident that, and looking forward to the forthcoming quarters of 2011, that the Company should not encounter difficulties with its ability to continue to operate as a going concern.

Financial cost

The financial cost of the Group for the year ended 31 December 2010 was approximately HK$2,476,000 (2009: HK$680,000) which was increased by approximately 264.12% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the year ended 31 December 2010, the Group's borrowing consists of an amount due to the Company's immediate holding company of HK$19,385,000, and an amount due to a director of HK$6,033,000. The Group had a cash balance of approximately HK$6,504,000 (2009: HK$1,863,000).

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 2010 has increased from HK$96,341,799 as at 31 December 2009 to HK$98,841,799.

Gearing Ratio

For the year ended 31 December 2010, the gearing ratio of the Group, expressed as a percentage of net debt divided by the total capital plus net debt, was 217.46% (2009: 95.47%).

Employee and remuneration policies

For the year ended 31 December 2010, the Group employed a total of 18 employees (as at 31 December 2009: 28), of which 4 were located in Hong Kong and the remaining 14 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

The Board has resolved that, in order to reduce the operating costs of the Group, those subsidiaries within the Group which no longer add value to, nor generate any income attributable to the Group, should be deregistered, or voluntarily wound up.

Those subsidiaries which are currently in the deregistration process are: Asian Information Resources Consultants Limited, Sinobase Asia Limited, Sino Resource Investments Limited, Asian Information Resources Techlogic Limited (which is the immediate holding Company of Ever-OK) and Guangzhou Shilian Software Technological Co. Limited.

Those subsidiaries which have been deregistered during the period are: Asian Information Investment (Holdings) Limited (BVI), AIR Logistics International Limited (BVI), AIR Logistics International Holdings Limited, Chinareference.com Limited, AIR SQW Limited, Explore Limited and Explore International Limited.

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

OPERATIONAL REVIEW

During the period under review, the Group sought to further enlarge its revenue base through the further development of the Group's IPTV division which currently provides internet protocol value added services to the greater southern China region. The Company has a sufficient level of operations in its IPTV division 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 Company's immediate holding company.

The Board, looking forward, is contemplating transferring the investment operations of the Group, which will allow the Company to focus on project investments 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.

Having consolidated the control of the Company, through the restructuring exercise which was completed in May 2010, wherein Glamour House Limited obtained majority control of the Company's immediate holding company Asian Dynamics International Limited ("Asian Dynamics"), the Board is now well positioned to pursue other new business pursuits. In fact Glamour House Limited has been a substantial shareholder of Asian Dynamics for many years, and the restructuring exercise, which was completed upon the close of the mandatory unconditional general offers on 9 July 2010, will facilitate the Board being able to focus, with further support from the Company's ultimate controlling shareholder, the pursuit of other project investments which the Board is of the view will derive enhanced benefit to the Company and the Company's shareholders.

Such new business pursuits may, should the economic environment accommodate future development, encompass the investment into projects that will provide synergy between the Group's existing IPTV division, whilst building on the Board's knowledge gained through the Company's logistics operations.

Performance of operating divisions

Logistics Division

Shareholders and potential investors were advised by the Board in the Company's announcement dated 2 November 2009 that the Board was informed by the management of Ever-OK that Ever-OK was not operating as a profitable entity, and that the achievement of profitability in the foreseeable future was not a realistic possibility. Given that information, and given the Board's desire to focus on the Company's IPTV division, the Board determined that it was in the best interests of the Company, and the Company's shareholders as a whole, to initiate the closure of the business operations of Ever-OK.

The Board is of the view that the closure of the business operations of Ever-OK will not have an adverse effect on the Group, rather such closure, will allow the Group to reduce its operating costs, and will lead it is anticipated towards the Group achieving profitability in future periods, through the reduction of further capital expenditure and reallocation of such capital to the Group's IPTV division and future project investments the Group intends to engage in.

After the initiation of the closure of Ever-OK, the Group's logistics division has not derived any revenue attributable to the Group since 31 December 2009. The Board expects to finalise the closure of Ever-OK within the forthcoming reporting periods. The Board has been advised by the management of Ever-OK that the closure of all the business operations and branches has now been effected, save for one branch of Ever-OK which has outstanding tax liabilities that need to be resolved prior to its closure. Therefore the Board is advised that Ever-OK is in the very final stages of the closure of its business operations.

The Board does not foresee the Company having to outlay any further capital in effecting the closure of Ever-OK in the forthcoming periods. Whilst the Board, has for all intents and purposes, effected the closure of Ever-OK, it does not intend that the Group will depart from the logistics industry entirely and, as stated above, is presently researching and developing potential project investments which will bring synergy between the Group's existing IPTV division, whilst drawing on the knowledge the Board has acquired through the operations of the Group's logistics division. The Board is now considering acquiring a project investment of this nature. That is an acquisition of a project which will align both the IPTV division with the Board's knowledge of the logistics industry.

Information Technology Division

For the twelve months ended 31 December 2010, the Group's revenue from its IPTV division was composed of the provision of technology and upgrades, contents and high-definition ("HD") value added services to the customers of established internet and network services providers which South Pearl Limited ("South Pearl") is currently in partnership with, which amounted to approximately HK$7,133,000.

As to South Pearl's provision of direct IPTV services, having established and upgraded its necessary networks, South Pearl expects that it will launch the provision of direct IPTV services with associated value-added services in full force in the next one to two years, and that the expected potential subscribers to the proposed direct IPTV services to be provided, upon completion of the development and implementation of this technology platform, is expected to be no less than 50,000 subscribers.

South Pearl is now also actively negotiating further agreements with other third parties for the provision of advertising slots and services ("Downstream Services"), the revenue from which will be derived once the direct IPTV services network issues are addressed and the direct IPTV services are provided to South Pearl's potential customer base for the receipt of direct IPTV services. As of the date of this report, no such further agreements have been finalized as negotiations are still ongoing as to the terms of the intended provision of Downstream Services. As to its intended provision of Downstream Services, South Pearl has already concluded an agreement for the provision of RMB5,000,000 of advertising airspace to Guangdong Tao Lue Advertising Company Limited (廣州濤略廣告有限公司) ("Toshe"). The Board, with regard to the proposed further advertising agreements to be agreed, such as the Toshe advertising agreement, expects that revenue from these proposed agreements will be realized upon the provision of the direct IPTV services to South Pearl's potential consumer base, at which time the Group's revenue is expected to increase.

In addition the company known as Guangdong E.Trust Information Investment Co Ltd (廣東盈信信息投資有限公司) ("Yung Shing") is an internet services provider ("ISP") based in the Guangzhou region which provides ISP services to its subscriber base which the Board has been advised generates no less approximately RMB60,000,000 in revenue for Yung Shing on average per annum. In the Group's usual and ordinary course of business Guangzhou Wavecom Communications and Advertising Limited ("Guangzhou Wavecom"), which is wholly-owned as to 100% by the Company, intends to enter into servicing agreements with Yung Shing whereby Guangzhou Wavecom will provide internet protocol value added services to Yung Shing's subscribers, in return for which Guangzhou Wavecom will receive an agreed percentage of Yung Shing's revenue based on the value added services provided. The Board expects that these servicing agreements, if concluded, will generate value added revenue of approximately RMB10,000,000 to RMB15,000,000 for 2011-2012. As of the date of this report, no such servicing agreements have been finalized as negotiations are still ongoing as to the terms of the intended provision of the valued added services to Yung Shing.

Looking forward to the forthcoming year, Guangzhou Wavecom is seeking to enter into agreements with other ISP providers to further expand the revenue that the IPTV division expects to generate from the provision of internet protocol value added services to the established subscriber bases of other ISP providers. In terms of the revenue derived by Guangzhou Wavecom, 100% of this revenue is directly incorporated into to the condensed consolidated accounts of the Group, given the fact that the Company owns Guangzhou Wavecom as to 100%.

The Board is of the view that the key competitive strength of the Group, with regards to the IPTV division, is its 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 from Guangzhou Television Broadcast Microwave General Station (廣州市廣播電視微波總站). To date, the Group's IPTV division has secured the necessary operating licenses and has fulfilled the necessary research, development and technology investment, such as an agreement with Microsoft, to position itself for the provision of direct IPTV services to the greater southern China region.

The Board considers that the diversification process which the IPTV industry in the southern China region is undergoing justifies the slow pace of the development of the Group's IPTV division. In fact recently the authorities in China have been implementing a convergence process whereby three of the existing telecommunications networks will be incorporated into one regime. The new regime, and the newly enacted regulations, will mainly be related to the implementation of a regime whereby the Guangzhou Broadcasting Bureau has more input into the telecommunications industry. The Permit accommodates and accords with the proposed new regulatory regime, which further justifies the value of the Permit.

The Board, through its adoption of a prudent and cautious approach to the proposed new regulatory regime, is positioning the Company to take advantage of the new regulations, once they are enacted. As the Permit meets the requirements of the proposed new regulations, saving any unforeseen amendments to the new regulatory regime, the IPTV division will be well placed to take immediate advantage of the benefits afforded by the new regulatory regime once it comes into effect.

Whilst the Board has been adopting a prudent and cautious approach with regard to further investing, developing and expanding the Group's IPTV division, the Board has been very actively involved in developing the IPTV division such that it has sufficient assets and a sufficient level of operations which the Board is of the view delivers present, and more positively looking forward, should deliver future enhanced benefits for the Company's shareholders.

Financial Consultancy

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

With the acquisition of Vega International Group Limited, 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 researching, developing and exploring further opportunities for development in the corporate finance sector which will further contribute to the current revenue streams generated by the Group.

In relation to the corporate finance sector, the Board is planning to devote more time and resources towards expanding the provision of financial consultancy services to business sectors that complement and have synergy with the household consumers and media services that the IPTV division of the Company is presently pursuing. 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. 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.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

On 27 April 2010, Union Resources Educational Development (Yanjiao) Company Limited ("UREDY"), as the first plaintiff, and Union Resources (Educational Development) Limited ("UR"), as the second plaintiff (the "Plaintiffs"), initiated legal proceedings against the Company, as the first defendant, and four other persons, being the second to fifth defendants, by way of the issue of a Writ of Summons in the High Court of Hong Kong under action number HCA589 of 2010 (the "Writ of Summons"). For further details of the Writ of Summons and the indorsement of claim as it pertains to the Company, please refer to the Company's announcements dated 28 April 2010, and 3 May 2010.

As stated in the Company's announcement dated 3 May 2010, the Board is given to understand that in the event that the Plaintiffs prosecute the claims stated in the Writ of Summons, then the Plaintiffs will claim they are entitled to an award of specific damages in the sum of RMB9,744,000.

The Board, is of the view that the Plaintiffs are successful in proving the relevant claims against the Company, and that if the possible specific damages of RMB9,744,000, and a possible claim for UREDY's and UR's legal costs are awarded against the Company, that such awards will not have a material adverse impact on the Group's financial position, in the long term. Provision for the Company's own legal costs of approximately HK$2,500,000 has been made in the financial statements in this respect.

Save as disclosed above, as at 31 December 2010 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 Board to be pending or threatened against the Company or any of its subsidiaries.

SUBSEQUENT EVENTS

(a) On 9 February 2011, 86,500,000 new ordinary shares of HK$0.10 in the capital of the Company were issued to Logic Ease Group Limited upon the said company's conversion of the principal sum of HK$18,857,000 of the zero-coupon convertible notes issued by the Company on 11 October 2010 with 24 month maturity, at the conversion price of HK$0.218 per ordinary share.

    As at 30 March 2011, there is an outstanding principal amount of HK$67,492,998.68 of zero-coupon convertible notes due 10 October 2012 with the conversion price of HK$0.218 per ordinary share which are convertible into a maximum of 309,600,911 ordinary shares of the Company upon full conversion of the convertible notes.

(b) On 11 February 2011, the Eastern Magistrates Court of Hong Kong issued five summonses to the Company. Each of them alleges that the Company, contrary to sections 384(1) and 384(6) of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, did provide to the Stock Exchange of Hong Kong Limited a copy of an announcement which was false or misleading in a material particular, and the Company knew or was reckless as to whether the information was false or misleading in a material particular. For details of the five summonses please refer to the Company's announcement dated 16 February 2011.

    The Board is of the view that in the event that the Company is convicted of any or all of the five summonses, such conviction(s) will not have a material adverse impact on the Group's financial position.

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 2010, 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 2010 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 2010.

Internal Controls

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.

SHARE OPTIONS

Pursuant to a specific mandate granted by the Company's shareholders at the Company's extraordinary general meeting held on 4 October 2007, the Company granted 97,840,073 share options (the "Share Options") entitling the holders of the Share Options to subscribe for 97,840,073 ordinary shares at the exercise price of HK$0.275 per share.

As at 31 December 2010, there were outstanding 72,840,073 Share Options that fall to be exercised at the exercise price of HK$0.275 per share.

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.

CONVERTIBLE NOTES

On 11 October 2010 the Company, pursuant to the acquisition agreement as described in the Company's circular dated 28 February 2008, issued in aggregate HK$86,349,999 of zero-coupon convertible notes convertible at the initial Conversion Price of HK$0.218 per Share with 24-month maturity, in the amounts of HK$76,272,955 of Convertible Notes were issued to Asian Dynamics International Limited and approximately HK$10,077,044 of Convertible Notes were issued to Lucky Peace Limited.

As at 31 December 2010 there were outstanding and in issue in aggregate HK$86,349,999 of zero-coupon convertible notes convertible at the initial Conversion Price of HK$0.218 per Share with 24-month maturity.

DISCLOSURE OF INTERESTS

(A) Interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2010, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares, or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571, ("SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part

XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Positions in the Ordinary Shares of HK$0.10 each (the "Shares") of the Company

	Number of issued shares held, capacity and nature of interest					
	Directly beneficially owned	**Through spouse or minor children**	**Through controlled corporation**	**Beneficiary of a trust**	**Total**	**Percentage of the Company's issued Shares as at 31 December 2010**
Directors						
Mr. Xie Xuan	–	–	546,964,782 *(Note 1)*	–	546,964,782	55.34
Mr. Qiu Yue	15,600,000	–	18,620,436 *(Note 2)*	–	34,220,436	3.46
	15,600,000	–	565,585,218	–	**581,185,218**	**58.80**

Note 1: The controlled corporation is Glamour House Limited, which is accustomed to acting in accordance with Mr. Xie Xuan's instructions who is its sole director, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Note 2: The controlled corporation is Lucky Peace Limited, which is incorporated in Samoa, and which is 100% wholly-owned by Mr. Qiu Yue.

(ii) Long Positions in the Underlying Shares

Long positions in the unlisted zero-coupon convertible redeemable notes with 24 month maturity issued on 11 October 2010 (the "2010 Convertible Notes") of the Company

Name of Director	**Capacity and nature of interest**	**Amount of 2010 Convertible Notes (HK$)**	**Number of underlying Shares**	**Percentage of the Company's issued Shares as at 31 December 2010**
Mr. Xie Xuan	Interest of a controlled corporation *(Note 1)*	76,272,955	349,875,940	35.40
Mr. Qiu Yue	Interest of a controlled corporation *(Note 2)*	10,077,044	46,224,972	4.68

Note 1: The controlled corporation is Glamour House Limited, which is accustomed to acting in accordance with Mr. Xie Xuan's instructions who is its sole director, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Note 2: The controlled corporation is Lucky Peace Limited, which is incorporated in Samoa, and which is 100% wholly-owned by Mr. Qiu Yue.

Holders of the 2010 Convertible Notes are entitled to elect to convert 2010 Convertible Notes into Shares at the conversion price of HK$0.218 per Share until 10 October 2012.

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(B) Interests and short positions of the Substantial Shareholders in the Shares, underlying shares and debentures of the Company

As at 31 December 2010, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

(i) Long Positions in the Shares

Name of Shareholder	Capacity	Number of shares	Percentage of the Company's issued Shares as at 31 December 2010
Glamour House Limited	Interest of a controlled corporation *(Note 1)*	546,964,782	55.34
Mr. Chu Yat Hong	Interest of a controlled corporation *(Note 2)*	546,964,782	55.34
Asian Dynamics International Limited	Beneficial owner	546,846,132	55.33
Lucky Peace Limited *(Note 3)*	Beneficial Owner	18,620,436	1.88

Note 1: The controlled corporation is Asian Dynamics International Limited, which is beneficially owned as to 67.18% by Glamour House Limited.

Note 2: The controlled corporation is Glamour House Limited, which is beneficially owned as to 90% by Mr. Chu Yat Hong, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Note 3: Lucky Peace Limited, which is incorporated in Samoa, is 100% wholly-owned by Mr. Qiu Yu, who is an executive director of the Company.

(ii) Long Positions in the Underlying Shares

Long positions in the 2010 Convertible Notes of the Company

Name of Substantial Shareholder	**Capacity and nature of interest**	**Amount of 2010 Convertible Notes (HK$)**	**Number of underlying Shares**	**Percentage of the Company's issued Shares as at 31 December 2010**
Asian Dynamics International Limited	Beneficial Owner	76,272,955	349,875,940	35.40
Glamour House Limited	Interest of a controlled corporation *(Note 1)*	76,272,955	349,875,940	35.40
Mr. Chu Yat Hong	Interest of a controlled corporation *(Note 2)*	76,272,955	349,875,940	35.40
Lucky Peace Limited *(Note 3)*	Beneficial Owner	10,077,044	46,224,972	4.68

Note 1: The controlled corporation is Asian Dynamics International Limited, which is beneficially owned as to 67.18% by Glamour House Limited.

Note 2: The controlled corporation is Glamour House Limited, which is beneficially owned as to 90% by Mr. Chu Yat Hong, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Note 3: Lucky Peace Limited, which is incorporated in Samoa, is 100% wholly-owned by Mr. Qiu Yue, who is an executive director of the Company.

Holders of the 2010 Convertible Notes are entitled to elect to convert 2010 Convertible Notes into Shares at the conversion price of HK$0.218 per Share until 10 October 2012.

Save as disclosed above, as at 31 December 2010, 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period 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.

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, Glamour House Limited, Mr. Chu Yat Hong, Mr. Xie Xuan, Mr. Qiu Yue, and Lucky Peace Limited, as disclosed above, there was no other person as at 31 December 2010 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.

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.

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.

INDEPENDENT AUDITORS

The financial statements for the year have been audited by 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 INDEPENDENT AUDITORS' REPORT

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

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 consolidated 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$57,305,000 and HK$67,716,000 respectively as at 31 December 2010. 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 immediate 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 consolidated 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 immediate holding company. The consolidated 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 consolidated financial statements and our opinion is not qualified in this respect.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Continuing operations			
Turnover	4(a)	**7,133**	–
Cost of services		**(1,680)**	–
Gross profit		**5,453**	–
Other revenue and net income	4(b)	**1,591**	408
Administrative and operating expenses		**(98,750)**	(61,438)
Loss from operations		**(91,706)**	(61,030)
Finance costs	6	**(2,476)**	(680)
Loss before taxation	7	**(94,182)**	(61,710)
Income tax expense	8	**(22,368)**	(106)
Loss for the year from continuing operations		**(116,550)**	(61,816)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	9	**1,048**	(9,653)
LOSS FOR THE YEAR		**(115,502)**	(71,469)
Other comprehensive income:			
Exchange difference arising on translation of foreign operations		**(2,184)**	1,003
Other comprehensive income for the year, net of tax		**(2,184)**	1,003
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(117,686)**	(70,466)
LOSS ATTRIBUTABLE TO:			
– owners of the Company		**(67,716)**	(48,942)
– non-controlling interests		**(47,786)**	(22,527)
		(115,502)	(71,469)

	Note	**2010**	2009
		HK$'000	*HK$'000*
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
– owners of the Company		**(70,059)**	(48,223)
– non-controlling interests		**(47,627)**	(22,243)
		(117,686)	(70,466)
		HK Cents	*HK Cents*
Earnings/(loss) per share:	*11*		
From continuing and discontinued operations			
– Basic		**(6.98)**	(5.08)
– Diluted		**N/A**	N/A
From continuing operations			
– Basic		**(7.08)**	(4.08)
– Diluted		**N/A**	N/A
From discontinued operations			
– Basic		**0.11**	(1.00)
– Diluted		**0.07**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**1,112**	1,518
Development costs		**–**	–
Intangible assets	13	**89,470**	174,913
		90,582	176,431
CURRENT ASSETS			
Trade and other receivables	14	**11,347**	9,805
Cash and bank balances		**6,504**	1,863
		17,851	11,668
CURRENT LIABILITIES			
Trade and other payables	15	**74,940**	156,929
Tax payable		**216**	226
		75,156	157,155
NET CURRENT LIABILITIES		**(57,305)**	(145,487)
TOTAL ASSETS LESS CURRENT LIABILITIES		**33,277**	30,944
NON-CURRENT LIABILITIES			
Amount due to a director		**(6,033)**	(6,602)
Amount due to immediate holding company		**(19,385)**	(15,919)
Convertible notes	16	**(73,541)**	–
Deferred tax liabilities	17	**(24,735)**	–
		(123,694)	(22,521)
NET (LIABILITIES)/ASSETS		**(90,417)**	8,423
CAPITAL AND RESERVES			
Share capital	18	**98,842**	96,342
Reserves		**(219,472)**	(165,759)
Deficit attributable to owners of the Company		**(120,630)**	(69,417)
Non-controlling interests		**30,213**	77,840
NET (DEFICIT)/EQUITY		**(90,417)**	8,423

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company								
	Issued share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Translation reserve *HK$'000*	Convertible notes reserve *HK$'000*	Accu-mulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
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 and at 1 January 2010	96,342	119,693	26,020	(1,113)	–	(310,359)	(69,417)	77,840	8,423
Loss for the year	–	–	–	–	–	(67,716)	(67,716)	(47,786)	(115,502)
Exchange difference arising on translation of foreign operations	–	–	–	(2,343)	–	–	(2,343)	159	(2,184)
Total comprehensive income for the year	–	–	–	(2,343)	–	(67,716)	(70,059)	(47,627)	(117,686)
Issue of shares by exercise of share options	2,500	4,375	–	–	–	–	6,875	–	6,875
Costs on issue of shares	–	(8)	–	–	–	–	(8)	–	(8)
Issue of convertible notes for settlement of balance of consideration for acquisition of interests in a subsidiary	–	–	–	–	14,346	–	14,346	–	14,346
Deferred tax liabilities on convertible notes	–	–	–	–	(2,367)	–	(2,367)	–	(2,367)
At 31 December 2010	98,842	124,060	26,020	(3,456)	11,979	(378,075)	(120,630)	30,213	(90,417)

1. CORPORATE INFORMATION

Asian Capital Resources (Holdings) Limited (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 consolidated 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 online content information and related technical services, business consultation services, logistics services and internet protocol television services.

In the opinion of the directors of the Company, the ultimate holding company is Glamour House 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 and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have been become effective.

HKFRSs (Amendment)	Improvements to HKFRSs 2009
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK (IFRIC)-Int 18	Transfers of Assets from Customers
HK (Int) 4 (Revised)	Determination of the Length of Lease Term in respect of Hong Kong Land Lease
HK (Int) 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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) HKFRS 3 (as revised in 2008) *Business Combinations* and HKAS 27 (as revised in 2008) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 Statement of Cash Flows, HKAS12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rates, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) Improvements to HKFRSs 2009

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

HKAS 7 Statement of Cash Flows: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

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)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[(1)]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters[(2)]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[(3)]
HKFRS 9	Financial Instruments[(7)]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[(6)]
HKAS 24 (as revised in 2009)	Related Party Disclosures[(4)]
HKAS 32 (Amendments)	Classification of Right Issues[(5)]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of Minimum Funding Requirement[(4)]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[(2)]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 February 2010.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application. The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013.

The amendments to HKFRS 7 titled *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

HK(IFRIC)-Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

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

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated 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$57,305,000 and approximately HK$67,716,000 respectively as at 31 December 2010. 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 immediate 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 of the Company 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 of the Company 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:

	2010	2009
	HK$'000	*HK$'000*
Internet protocol television service fees	**7,133**	–

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

	2010	2009
	HK$'000	*HK$'000*
Other income	**2**	405
Other payable written back	**607**	–
Impairment of other receivable written back	**980**	–
Interest income	**2**	2
Net foreign exchange gains	**–**	1
	1,591	408

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 resources 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 (2009: 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, amortization of intangible assets, impairment of (i) trade and other receivables, (ii) amount due from related companies and (iii) intangible assets, finance costs, and impairment of trade and other receivables written back.

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

	2010				
	Continuing operations			Discontinued operations	
	Content solution and business consultation services *HK$'000*	Internet protocol television services *HK$'000*	Total *HK$'000*	Logistics services *HK$'000*	Group *HK$'000*
Segments revenue	–	7,133	7,133	–	7,133
Segments results	–	574	574	(288)	286
Interest income					3
Unallocated corporate income					2
Unallocated corporate expenses					(7,560)
Other payable written back					1,003
Impairment of trade receivables written back					1,410
Impairment of other receivables written back					980
Loss on disposal of property, plant and equipment					(59)
Amortisation of intangible assets					(30,420)
Impairment of other receivables					(1,280)
Impairment of intangible assets					(55,023)
Finance costs					(2,476)
Consolidated loss before taxation					(93,134)

	2009				
	Continuing operations			Discontinued operations	
	Content solution and business consultation services *HK$'000*	Internet protocol television services *HK$'000*	Total *HK$'000*	Logistics services *HK$'000*	Group *HK$'000*
Segments revenue	–	–	–	27,395	27,395
Segments results	(1)	(5,062)	(5,063)	(833)	(5,896)
Interest income					4
Unallocated corporate income					918
Unallocated corporate expenses					(6,169)
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					(71,363)

(b) **Segment assets and liabilities**

	2010				
	Continuing operations			**Discontinued operations**	
	Content solution and business consultation services	**Internet protocol television services**	**Total**	**Logistics services**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**–**	**100,976**	**100,976**	**247**	**101,223**
Unallocated assets					**7,210**
Consolidated assets					**108,433**
Segment liabilities	**(64)**	**(57,038)**	**(57,102)**	**(27,388)**	**(84,490)**
Unallocated liabilities					**(114,360)**
Consolidated liabilities					**(198,850)**

	2009				
	Continuing operations			Discontinued operations	
	Content solution and business consultation services	Internet protocol television services	Total	Logistics services	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	–	184,379	184,379	2,208	186,587
Unallocated assets					1,512
Consolidated assets					188,099
Segment liabilities	(64)	(33,468)	(33,532)	(29,132)	(62,664)
Unallocated liabilities					(117,012)
Consolidated liabilities					(179,676)

(c) Other segment information

	2010		
	Continuing operations		**Discontinued operations**
	Content solution and business consultation services *HK$'000*	**Internet protocol television services** *HK$'000*	**Logistics services** *HK$'000*
Capital expenditure	**–**	**153**	**–**
Depreciation of property, plant and equipment	**–**	**498**	**–**
Amortisation of intangible assets	**–**	**30,420**	**–**
Impairment of intangible assets	**–**	**55,023**	**–**
Impairment of other receivables	**–**	**–**	**470**
Impairment of trade receivables written back	**–**	**–**	**(1,410)**
Impairment of other receivables written back	**–**	**(980)**	**–**
Other payables written back	**–**	**–**	**(396)**

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

(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:

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
PRC	**7,133**	–
Discontinued operations		
PRC	**–**	27,395

Non-current assets are mainly located in the PRC.

(e) Information about major customers

Included in revenues from external customers of 7,133,000 (2009: HK$27,395,000) are revenues of HK$3,102,000 (2009: HK$932,000) which arose from services rendered to the Group's largest customer under the internet protocol television services segment (2009: Logistics services segment).

6. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Other interest	**939**	680
Imputed interest expense of convertible notes	**1,537**	–
	2,476	680

7. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

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

	2010	2009
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration)		
– Wages, salaries and other benefits	**1,739**	2,599
– Retirement benefits scheme contributions	**297**	292
Auditors' remuneration		
– current year	**550**	550
– over-provision in previous year	**–**	(120)
– other service fee	**50**	–
Depreciation of property, plant and equipment	**540**	886
Amortisation of intangible assets	**30,420**	28,334
Impairment of trade receivables	**–**	114
Impairment of other receivables	**810**	5,353
Impairment of amount due from related companies	**–**	4
Impairment of intangible assets	**55,023**	16,338
Loss on disposal of property, plant and equipment	**59**	435
Operating lease rentals in respect of land and buildings	**335**	976
Legal and professional fees	**3,291**	864
Net foreign exchange loss	**11**	–

8. INCOME TAX EXPENSE (RELATING TO CONTINUING OPERATIONS)

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

	2010	2009
	HK$'000	*HK$'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	**–**	–
	–	106
Deferred tax *(Note 17)*	**22,368**	–
Tax charge	**22,368**	106

Hong Kong profits tax is calculated at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year.

PRC subsidiaries are subject to PRC Enterprise Tax at the rate of 25% (2009: 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 per the consolidated statement of comprehensive income at applicable tax rates is as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss before taxation	**(94,182)**	(61,710)
Notional tax on loss before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**(20,383)**	(18,160)
Income not subject to tax	**(916)**	(127)
Expenses not deductible for tax purposes	**21,537**	11,168
Unrecognised tax losses	**167**	7,119
Tax under-provision in previous years	**–**	106
Utilisation of previous recognised tax losses	**(405)**	–
Deferred tax on intangible assets *(Note 17)*	**22,368**	–
Income tax expense for the year	**22,368**	106

(c) **Income tax recognised directly in equity**

	2010	2009
	HK$'000	*HK$'000*
Deferred tax		
Arising on transactions with owners:		
Initial recognition of the equity component of convertible notes	**2,367**	–
	2,367	–

9. DISCONTINUED OPERATIONS

During the year, the Group has ceased its logistics services segment operations. The cessation is consistent with the Group's strategies to focus its resources in the internet protocol television business.

Accordingly, the operations of logistics services were classified as discontinued operations in accordance with HKFRS 5 Non-current Assets Held for Sales and Discontinued Operations. The results of the discontinued operations included in the consolidated statement of comprehensive income are as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) for the year from discontinued operations		
Turnover	**–**	27,395
Cost of sales	**–**	(21,962)
Gross profit	**–**	5,433
Other revenue and net income	**1,970**	514
Administrative and operating expenses	**(922)**	(15,600)
Profit/(loss) before taxation	**1,048**	(9,653)
Income tax expense	**–**	–
Profit/(loss) for the year from discontinued operations	**1,048**	(9,653)

The profit/(loss) before taxation from discontinued operations is arrived at after charging:

	2010	2009
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration)		
– Wages, salaries and other benefits	**105**	3,305
– Retirement benefits scheme contributions	**40**	458
Depreciation of property, plant and equipment	**–**	319
Impairment of trade receivables	**–**	8,989
Impairment of other receivables	**470**	–
Operating lease rentals in respect of land and buildings	**95**	786
Legal and professional fees	**1**	27

Cash flows from discontinued operations

	2010	2009
	HK$'000	*HK$'000*
Net cash used in operating activities	**(1,163)**	(9,622)
Net cash generated from investing activities	**48**	6,438
Net cash used in financing activities	**(49)**	(3)
Effects of foreign exchange rate changes	**42**	(358)
Net decrease in cash or cash equivalents	**(1,122)**	(3,545)

For the purpose of presenting the discontinued operations, the comparative consolidated statement of comprehensive income and the related notes have been re-represented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

10. DIVIDEND

The directors do not recommend the payment of any dividends for the year ended 31 December 2010 (2009: Nil).

11. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share is calculated based on the Group's loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year:

	2010	2009
Weighted average number of ordinary shares used in calculation of basic loss per share	**970,601,548**	963,417,986
Effect of dilutive potential ordinary shares	**452,248,469**	27,034,757
Weighted average number of ordinary shares used in calculation of diluted loss per share	**1,422,850,017**	990,452,743
Continuing and discontinued operations *(Note)*		
Loss for the year attributable to the owners of the Company (HK$'000)	**(67,716)**	(48,942)
Basic loss per share (HK cents)	**(6.98)**	(5.08)
Continuing operations *(Note)*		
Loss for the year from continuing operations attributable to the owners of the Company (HK$'000)	**(68,764)**	(39,289)
Basic loss per share (HK cents)	**(7.08)**	(4.08)
Discontinued operations		
Profit/(loss) for the year from discontinued operations attributable to the owners of the Company (HK$'000)	**1,048**	(9,653)
Basic earnings/(loss) per share (HK cents)	**0.11**	(1.00)
Diluted earnings per share (HK cents)	**0.07**	N/A

Note: No diluted loss per share is presented for the years ended 31 December 2010 and 2009 as the potential shares arising from the exercise and conversion of the Company's share options and convertible notes would decrease the loss per share of the Company for these years and is regarded as anti-dilutive.

12. 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 2009	1,644	1,277	6,289	1,020	10,230
Additions	16	–	154	–	170
Disposal	(1,346)	(617)	(2,282)	(431)	(4,676)
Exchange difference	(22)	(14)	(49)	(52)	(137)
At 31 December 2009 and at 1 January 2010	292	646	4,112	537	5,587
Additions	–	5	148	–	153
Disposal	(164)	–	(311)	–	(475)
Exchange difference	29	41	152	100	322
At 31 December 2010	157	692	4,101	637	5,587
Accumulated depreciation and impairment losses:					
At 1 January 2009	827	961	4,368	859	7,015
Charge for the year	320	180	620	85	1,205
Disposal	(913)	(595)	(2,148)	(360)	(4,016)
Exchange difference	(7)	(15)	(62)	(51)	(135)
At 31 December 2009 and at 1 January 2010	227	531	2,778	533	4,069
Charge for the year	2	52	482	4	540
Disposal	(105)	–	(311)	–	(416)
Exchange difference	29	38	115	100	282
At 31 December 2010	153	621	3,064	637	4,475
Net carrying amount:					
As at 31 December 2010	4	71	1,037	–	1,112
As at 31 December 2009	65	115	1,334	4	1,518

13. INTANGIBLE ASSETS

	2010	2009
	HK$'000	*HK$'000*
Cost/valuation:		
At 1 January and at 31 December	**226,668**	226,668
Accumulated amortisation and impairment losses:		
At 1 January		
– Amortisation	**35,417**	7,083
– Impairment	**16,338**	–
Amortisation for the year	**30,420**	28,334
Impairment for the year	**55,023**	16,338
At 31 December	**137,198**	51,755
Net carrying amount:		
As at 31 December	**89,470**	174,913

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 2010, the Group'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 RMB76,000,000 (2009: RMB154,000,000). Further impairment of approximately HK$55,023,000 (2009: HK$16,338,000) was charged to the profit and loss.

14. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**–**	237
Prepayments, deposits and other receivables	**11,347**	9,568
	11,347	9,805

The credit terms granted by the Group to customers are determined on a case-by-case basis with reference to the size of services contracts, recurrent services provided to 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 at the end of the reporting period is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**–**	–
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 150 days	**–**	–
Over 150 days	**–**	9,226
Total trade receivables	**–**	9,226
Less: Impairment losses	**–**	8,989
	–	237

In previous year, trade receivables mainly comprised amounts receivable from provision of logistics services. No interest was charged on the trade receivables. The Group did not hold any collateral over these balances. 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:

	2010	2009
	HK$'000	*HK$'000*
Over 150 days	**–**	237

15. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**21,964**	21,241
Accruals and other payables	**52,802**	133,439
Advance payments from customers	**174**	174
Amount due to shareholders	**–**	2,075
	74,940	156,929

During the year, balance of consideration payable in the amount of HK$86,350,000 in respect of the acquisition of a subsidiary in the year 2008 included in accruals and other payables brought forward from last year has been settled by the issuance of convertible notes with equivalent principal amount.

An ageing analysis of the trade payables of the Group 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:

	2010	2009
	HK$'000	*HK$'000*
Over 150 days	**21,964**	21,241

16. CONVERTIBLE NOTES

	HK$'000
At 1 January 2010	–
Liability component of the Convertible Notes issued during the year	72,004
Imputed interest expense charged	1,537
At 31 December 2010	73,541

Pursuant to the Note Instrument Agreements dated on 11 October 2010, the Company issued convertible notes at a nominal value of HK$86,349,999 at zero coupon interest, of which the HK$10,077,044 was issued to Lucky Peace Limited, a company wholly owed by the executive director of the Company, Mr. Qiu Yue and HK$76,272,955 was issued to Asian Dynamics International Limited, a shareholder of the Company, for a term of two years.

The convertible notes holders may assign or transfer the whole or any part of the convertible notes to any party subject to the Company's approval. Meanwhile, the Company may at any time after the issue of the convertible notes up to and including the maturity date, redeem the outstanding principal amount of notes by payment of cash in amount equivalent to the outstanding principal amount.

The convertible notes holders may at any business day from the six months after the issuance of the convertible notes falling on the second anniversary from the date of issue of convertible notes convert the whole or any part of the convertible notes into ordinary shares of the Company of HK$0.1 each at the conversion price of HK$0.218 per conversion share. During the year, no convertible notes issued were converted into ordinary shares of the Company.

The convertible notes contain two components: liability and equity components. The fair values of the liability component of the convertible notes are measured using a market interest rate of approximately 9.503% for an equivalent non-convertible note. The remaining balance, representing the equity conversion component, is included in the equity under convertible notes reserve.

17. DEFERRED TAXATION

The major deferred tax liabilities recognised and movements thereon during the current and prior years are summarized below:

	Intangible assets	**Convertible notes**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2009, 31 December 2009 and 1 January 2010	–	–	–
Charge to profit or loss	22,368	–	22,368
Recognised directly in equity	–	2,367	2,367
At 31 December 2010	22,368	2,367	24,735

18. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised (Ordinary shares of HK$0.1 each):		
Balance at 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	2,000,000,000	200,000
Issued and fully paid (Ordinary shares of HK$0.1 each)		
Balance at 1 January 2009, 31 December 2009 and 1 January 2010	963,417,986	96,342
Issue of shares by exercise of share options *(Notes)*	25,000,000	2,500
Balance at 31 December 2010	988,417,986	98,842

Notes: On 29 June 2010, 13,000,000 ordinary shares with par value of HK$0.10 each were issued as a result of an exercise of share options granted by the Company under a specific mandate on 5 September 2007 at a consideration of HK$3,575,000 at the exercise price of HK$0.275 per share, of which HK$2,275,000 was credited to share premium.

On 15 December 2010, 12,000,000 ordinary shares with par value of HK$0.10 each were issued as a result of an exercise of share options granted by the Company under a specific mandate on 5 September 2007 at a consideration of HK$3,300,000 at the exercise price of HK$0.275 per share, of which HK$2,100,000 was credited to share premium.

19. COMMITMENTS

Operating lease commitments

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

	2010	2009
	HK$'000	*HK$'000*
Within one year	**180**	331
In the second to fifth years, inclusive	**138**	10
	318	341

20. LITIGATION

On 27 April 2010, Union Resources Educational Development (Yanjiao) Company Limited ("UREDY"), as the first plaintiff, and Union Resources (Educational Development) Limited ("UR"), as the second plaintiff (the "Plaintiffs"), initiated legal proceedings against the Company, as the first defendant, and four other persons, being the second to fifth defendants, by way of the issue of a Writ of Summons in the High Court of Hong Kong under action number HCA589 of 2010 (the "Writ of Summons"). For further details of the Writ of Summons and the indorsement of claim as it pertains to the Company, please refer to the Company's announcements dated 28 April 2010, and 3 May 2010.

As stated in the Company's announcement dated 3 May 2010, the Board is given to understand that in the event that the Plaintiffs prosecute the claims stated in the Writ of Summons, then the Plaintiffs will claim they are entitled to an award of specific damages in the sum of RMB9,744,000.

The Board is of the view that in the event that the Plaintiffs are successful in proving the relevant claims against the Company, and that if the possible specific damages of RMB9,744,000, and a possible claim for UREDY's and UR's legal costs are awarded against the Company, that such awards will not have a material adverse impact on the Group's financial position, in the long term. Provision for the Company's own legal costs of approximately HK$2,500,000 has been made in the financial statements in this respect.

Save as disclosed above, as at 31 December 2010 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 Board to be pending or threatened against the Company or any of its subsidiaries.

21. EVENTS AFTER THE REPORTING PERIOD

(a) On 9 February 2011, a convertible notes holder, converted the convertible notes in the principal amount of HK$18,857,000 into 86,500,000 ordinary shares of the Company at the conversion price of HK$0.218 per share.

(b) On 11 February 2011, the Eastern Magistrates Court of Hong Kong issued five summonses to the Company. Each of them alleges that the Company, contrary to sections 384(1) and 384(6) of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, did provide to the Stock Exchange of Hong Kong Limited a copy of an announcement which was false or misleading in a material particular, and the Company knew or was reckless as to whether the information was false or misleading in a material particular. For details of the five summonses please refer to the Company's announcement dated 16 February 2011.

The Board is of the view that in the event that the Company is convicted of any or all of the five summonses, such conviction(s) will not have a material adverse impact on the Group's financial position.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of Directors on 30 March 2011.

By Order of the Board
Xie Xuan
Chairman

Hong Kong, 30 March 2011

As at the date of this announcement, the executive Directors of the Company are Mr. Xie Xuan (Chairman), 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.