for the year ended 31 December 2005

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the businesses of entertainment media, property investment, financial services and telecommunication.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In 2005, the Group has applied, for the first time, all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of the changes in equity. The adoption of the new HKFRSs, in particular the HKASs and HKFRSs below, has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

HKAS 1	Presentation of Financial Statements
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

(a) Presentation of Financial Statements

The adoption of HKAS 1 Presentation of Financial Statements has affected the presentation of minority interests, which are now shown as equity. These changes have been applied retrospectively (see note 3 for financial impact).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(b) Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured at cost less impairment. In the current year, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payment cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for financial impact).

(c) Financial Instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held to maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)".

for the year ended 31 December 2005

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(c) Financial Instruments *(continued)*

Financial assets and financial liabilities other than debt and equity securities (continued)

The carrying amount of convertible preference shares ("CPS") in issue by the Company as at 1 January 2005 were split into the equity portion for the fair value of the conversion right by the CPS, and the liability portion of CPS which is adjusted for the effect of imputed interest based on the prevailing market rate as at the date of grant and are carried at amortised cost using the effective interest method subsequent to 1 January 2005 (see note 3 for financial impact).

(d) Investment Property

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the year in which they arise. In previous years, investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance of this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease has previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The application of HKAS 40 has had no material financial effect on the results for the current and prior years.

(e) Share-based payment

The adoption of HKFRS 2 Share-based Payment has resulted in a change in accounting policy for employees and other options. The principal impact of HKFRS 2 on the Group is related to the expensing of the fair values of directors' and employees' share options and other share options of the Group determined at the date of grant of share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of all these share options until they were exercised. In accordance with the transitional provisions of HKFRS 2, the Group has not applied HKFRS 2 to options granted after 7 November 2002 but which had vested before 1 January 2005. The Group has applied HKFRS 2 to options granted in 2005 (see note 3 for financial impact).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(f) **Reserve on consolidation – negative goodwill**

The transitional provision of HKFRS 3 Business Combinations has required the Group to derecognise the carrying amounts of the negative goodwill (including that in consolidated equity reserve) against retained earnings (See note 3 for financial impact).

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

(a) **Income statement items**

	HKAS 17 HK$'000 *(note 2b)*	**HKAS 32 & 39** HK$'000 *(note 2c)*	**HKFRS 2** HK$'000 *(note 2e)*	**Total effect** HK$'000
For the year ended 31 December 2005				
Decrease in amortisation of prepaid lease payment	**1,739**	–	–	**1,739**
Increase in imputed interest expenses on convertible preference shares	–	(2,750)	–	(2,750)
Issue of share options	–	–	(8,042)	(8,042)
Decrease (increase) of net loss for the year	**1,739**	(2,750)	(8,042)	(9,053)

	HKAS 17 HK$'000 *(note 2b)*	HKAS 32 & 39 HK$'000 *(note 2c)*	HKFRS 2 HK$'000 *(note 2e)*	Total effect HK$'000
For the year ended 31 December 2004				
Decrease in amortisation of prepaid lease payment	949	–	–	949

for the year ended 31 December 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) Balance sheet items

	As at 31 December 2004 (Originally stated) HK$'000	HKAS 1 HK$'000 *(note 2a)*	HKAS 17 HK$'000 *(note 2b)*	HKFRS 2 HK$'000 *(note 2e)*	As at 31 December 2004 (Restated) HK$'000	HKAS 32 & 39 HK$'000 *(note 2c)*	HKFRS 3 HK$'000 *(note 2f)*	As at 1 January 2005 (Restated) HK$'000
Assets								
Property, plant and equipment	49,741	–	(37,210)	–	12,531	–	–	12,531
Prepaid lease payment	–	–	38,159	–	38,159	–	–	38,159
Liabilities								
Convertible preference shares	69,000	–	–	–	69,000	(23,100)	–	45,900
Minority interests	4	(4)	–	–	–	–	–	–
Equity								
Capital reserve (negative goodwill)	3,000	–	–	–	3,000	–	(3,000)	–
Convertible preference shares reserve	–	–	–	–	–	23,100	–	23,100
Accumulated losses	(136,847)	–	949	–	(135,898)	–	3,000	(132,898)
Minority interests	–	4	–	–	4	–	–	4

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(continued)*

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statement of the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and comply with the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The consolidated financial statements have been prepared under the historical cost convention as modified for investment properties and certain financial instruments which are valued at fair value, as appropriate.

for the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Minority interests in the net assets of subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from entertainment media services, financial services and telecommunication services is recognised when the services are rendered and the amount can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhead costs, is charged to profit and loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation or amortisation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold buildings	5% or where shorter, the terms of the relevant lease
Furniture, fixtures and equipment	20% to 33%
Motor vehicles	20%

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Investment properties

Investment properties, which are completed properties held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

Intangible assets (other than goodwill)

Intangible assets are measured initially at cost and amortised on a straight-line basis over their estimated useful lives, as follows:

License rights	5 years
Patents	20 years
Cable use rights	14 years
Website software	5 years

for the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated income statement.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gains or losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduce to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment less been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Subsidiaries

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

for the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet which the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for impairment for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(iii) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(iv) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

(v) Convertible preference shares

Convertible preference shares are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible preference shares and fair value assigned to the liability component, representing the embedded option for the holder to convert the preference shares into equity of the Group, is included in capital reserve.

Issue costs are apportioned between the liability and equity components of the convertible preference shares based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate of similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible preference shares.

(vi) Trade and other payables

Trade payables initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(vii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

for the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the relevant lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to income statement.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

Prepaid lease payments under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

Provisions and contingent liabilities

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

for the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions and contingent liabilities *(continued)*

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

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are expressed in Hong Kong Dollars which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Foreign currency transactions are translated into Hong Kong Dollars, being the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange fluctation reserve. Such translation differences are recognised in consolidated income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employees' benefits

Short term benefits

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

Retirement benefit schemes

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions if any.

Share based payments

The Group issues equity-settled share-based payments to certain directors, employees and other parties. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in a capital reserve within equity, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

Fair value is measured using the Black-Scholes-Merton Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Borrowing costs

Borrowing costs are charged to consolidated income statement in the period in which they are incurred.

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

for the year ended 31 December 2005

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The Group also makes estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in relation to share option expense.

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the income statement and share-based payment reserve.

6. TURNOVER AND SEGMENT INFORMATION

Business segments

The Group was principally engaged in the following business segments during the year:

(i) entertainment media, including telecommunication value added services;

(ii) property investment;

(iii) financial services; and

(iv) telecommunication.

These segments are the basis on which the Group reports its primary segment information.

On 30 June 2004, The Group had disposed of its entire interest in its subsidiary which was principally engaged in the manufacturing of fire protection and suppression systems and equipment in Mainland China (note 7). Comparative figures have been reclassified to conform to the current year's presentation.

	For the year ended 31 December 2005					
	Entertain-ment media HK$'000	Property investment HK$'000	Financial services HK$'000	Telecom-munication HK$'000	Elimination HK$'000	Total HK$'000
Turnover						
External sales	72,094	3,006	14,566	4,575	–	94,241
Inter-segment sales	59	520	153	144	(876)	–
Total	72,153	3,526	14,719	4,719	(876)	94,241
Segment results	12,105	7,615	14,278	(6,544)	–	27,454
Other operating income						469
Unallocated corporate expenses						(24,648)
Operating profit						3,275
Finance costs						(5,978)
Loss on disposal of subsidiaries		(4,319)				(4,319)
Loss before taxation						(7,022)
Taxation						(343)
Loss for the year						(7,365)

for the year ended 31 December 2005

6. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	As at 31 December 2005				
	Entertain-ment media HK$'000	Property investment HK$'000	Financial services HK$'000	Telecom-munication HK$'000	Total HK$'000
As at 31 December 2005					
Assets					
Segment assets	134,239	141,607	8,277	17,153	301,276
Unallocated assets					18,215
Total assets					319,491
Liabilities					
Segment liabilities	115,407	2,108	33	8,462	126,010
Unallocated liabilities					58,417
Total liabilities					184,427
For the year ended 31 December 2005					
Other information					
Additions to property, plant and equipment	1,550	660	–	137	2,347
Unallocated					81
					2,428
Additions to intangible assets	22,069	–	–	–	22,069
Segment depreciation	944	401	40	1,042	2,427
Unallocated depreciation					306
					2,733
Amortisation of goodwill and intangible assets	4,212	269	–	–	4,481
Fair value gain on investment properties, net	–	7,080	–	–	7,080
Allowance for bad and doubtful debts	92	–	–	98	190
Share based payment expense					8,042
Imputed interest on CPS					2,750
Amortisation of prepaid lease payment					758

for the year ended 31 December 2005

6. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

For the year ended 31 December 2004

	Continuing operations			Discontinuing operation		
	Entertain-ment media HK$'000	Property investment HK$'000	Telecom-munication HK$'000	Fire protection and suppression HK$'000	Elimi-nation HK$'000	Total HK$'000
Turnover						
External sales	31,665	2,743	4,434	9,424	–	48,266
Inter-segment sales	–	367	170	–	(537)	–
Total	31,665	3,110	4,604	9,424	(537)	48,266
Segment results	(71,586)	(518)	(10,765)	(1,313)	–	(84,182)
Other operating income						397
Unallocated corporate expenses						(14,753)
Operating loss						(98,538)
Finance costs						(2,350)
Loss on disposal of discontinued operations				(1,006)		(1,006)
Loss before taxation						(101,894)
Taxation						12
Loss for the year						(101,882)

for the year ended 31 December 2005

6. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	As at 31 December 2004				
	Continuing operations			Discontinuing operation	
	Entertainment media HK$'000	Property investment HK$'000	Telecommunication HK$'000	Fire protection and suppression HK$'000	Total HK$'000
As at 31 December 2004					
Assets					
Segment assets	16,774	134,711	9,512	–	160,997
Unallocated assets					10,138
Total assets					171,135
Liabilities					
Segment liabilities	14,904	1,629	7,253	–	23,786
Unallocated liabilities					99,009
Total liabilities					122,795
For the year ended 31 December 2004					
Other information					
Additions to property, plant and equipment	2,238	–	4,697	11	6,946
Unallocated					567
					7,513
Additions to goodwill	–	–	3,105	–	3,105
Additions to intangible assets	777	–	3,486	–	4,263
Segment depreciation	577	218	1,273	493	2,561
Unallocated depreciation					438
					2,999
Fair value loss on investment properties, net	–	1,070	–	–	1,070
Amortisation of goodwill and intangible assets	9,345	–	823	47	10,215
Impairment of goodwill	52,413	–	2,536	–	54,949
Allowance for bad and doubtful debt	581	–	–	–	581
Amortisation of prepaid lease payment	–	381	–	–	381

6. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments

The Group's operations and assets are located in Hong Kong, other regions in the People's Republic of China ("Mainland China"), United States of America ("USA") and Japan.

Segment information of the Group by geographical location by customers is presented as below:

	Turnover		Segment Assets		Capital Expenditures	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Continuing Operations						
Hong Kong	**30,384**	27,758	**170,777**	148,638	**1,743**	1,278
Mainland China	**9,452**	7,414	**4,305**	12,100	**307**	67
United States of America	**4,335**	3,666	**18,549**	8,914	**128**	4,707
Japan	**50,353**	–	**125,794**	–	**47**	–
Others	**–**	4	**66**	1,483	**203**	1,450
Elimination	**(283)**	–	**–**	–	**–**	–
	94,241	38,842	**319,491**	171,135	**2,428**	7,502
Discontinued Operations						
Mainland China	**–**	9,424	**–**	–	**–**	11
	94,241	48,266	**319,491**	171,135	**2,428**	7,513

for the year ended 31 December 2005

7. DISCONTINUED OPERATIONS

On 30 June 2004, the Group disposed of a subsidiary, Mansion Fire International Limited ("MFIL") which holds investment in Shanghai Mansion Wananda Fire System Company Limited ("SMFS"), which was principally engaged in the manufacturing of fire protection and suppression systems and equipment in Mainland China ("Discontinuing Segment") to the ultimate beneficial owner of SMFS. The disposal was effected in order to generate cash flow for the expansion of the Group's other businesses.

The results of the Discontinuing Segment for the period from 1 January 2004 to 30 June 2004, which have been included in the consolidated financial statements, were as follows:

	Period ended 30.6.2004 HK$'000
Turnover	9,424
Other income	39
Operating costs	(10,737)
Finance costs	(28)
Loss before taxation	(1,302)
Taxation	–
Loss after taxation	(1,302)

The Discontinuing Segment paid HK$107,000 to the Group's net operating cash flows, paid HK$11,000 in respect of investing activities for that period.

A loss of HK$1,006,000 arose on the disposal of MFIL, being the proceeds of disposal less the carrying amount of the subsidiary's net liabilities of HK$14,451,000 after adjusted for the waiver of debts with subsidiaries. No tax charge or credit arose on loss on the disposal of MFIL. Net cash inflow arising from disposal amounted to HK$1,128,000.

The subsidiaries disposed of during the year 2004 contributed HK$9,424,000 to the Group's turnover and resulted loss of HK$742,000 to the Group's loss from operations.

for the year ended 31 December 2005

8. OTHER OPERATING INCOME

	2005 HK$'000	2004 HK$'000
Interest income	**141**	12
Management fee income	**306**	385
Others	**22**	–
	469	397

9. OPERATING PROFIT (LOSS)

	2005 HK$'000	2004 HK$'000 (As restated)
Operating profit (loss) has been arrived at after charging:		
Auditors' remuneration		
– current year	**642**	572
– underprovision in respect of prior year	**–**	142
	642	714
Amortisation of goodwill (charged to other operating expenses)	**–**	9,901
Amortisation of intangible assets (charged to administrative and operating expenses)	**4,481**	314
Amortisation of prepaid lease payment	**758**	381
Depreciation of property, plant and equipment	**2,733**	2,999
Loss on disposal of property, plant and equipment	**440**	258
Provision for litigation cases *(note 40(d))*	**4,000**	–
Operating lease rentals in respect of rented premises	**2,146**	1,742
Net exchange losses	**363**	1
Allowance for bad and doubtful debts	**190**	581
Cost of inventories recognized as expense	**–**	6,373
Staff costs		
– Directors' emoluments *(note 11)*	**10,212**	8,310
– Other staff costs		
– Salaries, wages and other benefits	**15,151**	17,913
– Retirement benefit scheme contributions net of forfeited contribution of HK$Nil (2004: HK$116,000)	**1,033**	267
	26,396	26,490

for the year ended 31 December 2005

10. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Imputed interest on convertible preference shares	2,750	–
Finance charges on obligations under finance leases	1,478	–
Interests on:		
Borrowings wholly repayable within five years	950	334
Borrowings not wholly repayable within five years	800	2,016
	5,978	2,350

11. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The directors' emoluments are analysed as follows:

	2005 HK$'000	2004 HK$'000
Fees:		
Independent Non-Executive Directors	208	141
Other emoluments paid to Executive Directors:		
Salaries and other benefits	5,154	5,597
Share based payment.	3,186	–
Bonuses	1,580	2,500
Retirement benefit scheme contributions	84	72
	10,004	8,169
	10,212	8,310

No directors waived emoluments in respect of the years ended 31 December 2005 and 2004.

for the year ended 31 December 2005

11. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(continued)*

Directors' emoluments *(continued)*

	2005 HK$'000	2004 HK$'000
Michele Matsuda		
– Salaries and other benefits	**2,291**	1,586
– Share based payment	**3,186**	–
– Bonuses	**200**	200
– Performance bonus	**1,380**	2,300
– Retirement benefit scheme contribution	**60**	20
	7,117	4,106

	2005 HK$'000	2004 HK$'000
Leung To Kwong, Valiant		
– Salaries and other benefits	**1,413**	1,392
– Retirement benefit scheme contribution	**12**	12
	1,425	1,404
Cheung Chi Fai, Frank		
– Salaries and other benefits	**1,450**	1,080
– Retirement benefit scheme contribution	**12**	9
	1,462	1,089

for the year ended 31 December 2005

11. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(continued)*

Directors' emoluments *(continued)*

	2005 HK$'000	2004 HK$'000
Yiu Ying Fai		
– Salaries and other benefits	–	1,539
– Retirement benefit scheme contribution	–	31
	–	1,570
Daijiro Nishihama		
– Salaries and other benefits	–	–
– Retirement benefit scheme contribution	–	–
	–	–
Zhou Ji, Jason		
– Fee	72	60
Keijiro Hasegawi		
– Fee	64	21
Chen Tien Yin, Theodore		
– Fee	72	16
To King Yan, Adam		
– Fee	–	44

11. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(continued)*

Highest paid employees

The five highest paid individuals of the Group included three (2004: four) Executive Directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two (2004: one) highest paid employees, other than directors of the Company, are as follows:

	2005 HK$'000	2004 HK$'000
Salaries and other benefits	**1,881**	1,011
Retirement benefit scheme contributions	**12**	–
	1,893	1,011

The emoluments of the highest paid employees were within the following bands:

	2005 Number of employees	2004 Number of employees
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	1

12. TAXATION

Taxation in the consolidated income statement represents:

	2005 HK$'000	2004 HK$'000
Current taxation		
Hong Kong Profits Tax		
Current year	**–**	–
Overprovision in respect of prior years	**–**	12
Deferred taxation		
Hong Kong Profits Tax	**(343)**	–
Tax (charge)/credit	**(343)**	12

for the year ended 31 December 2005

12. TAXATION *(continued)*

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group' subsidiaries operate. No provision for current Hong Kong profits tax or overseas income tax have been made for the year as the Group has no assessable profit. The tax charge represents deferred taxation arise during the year.

Taxation for the year can be reconciled to accounting loss as follows:

	2005 HK$'000	2004 HK$'000 (As restated)
Loss before taxation	(7,022)	(101,894)
Tax at the Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	(1,229)	(17,831)
Tax effect of expenses not deductible for tax purpose	6,521	12,707
Tax effect of income not taxable for tax purpose	(4,158)	(131)
Tax effect of different tax rates operating in other jurisdiction	320	–
Overprovision in respect of prior years	–	(12)
Tax effect of tax losses and other deductible temporary differences utilised	(5,853)	(332)
Tax effect of tax losses and other deductible temporary differences not recognised	4,180	5,595
Tax effect of operation in other jurisdictions	424	–
Others	138	(8)
Taxation charge (credit) for the year	343	(12)

12. TAXATION *(continued)*

Deferred taxation

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 January 2004	(2,538)	2,538	–
(Charge)/credit to consolidated income statement for the year	68	(68)	–
Acquisition of a subsidiary	932	(932)	–
At 31 December 2004	(1,538)	1,538	–
(Charge)/credit to consolidated income statement for the year	(2,011)	1,668	(343)
At 31 December 2005	(3,549)	3,206	(343)

There were no material unprovided deferred tax liabilities as at 31 December 2005 and 2004.

At the balance sheet date, the Group has unused tax losses of HK$67,830,000 (2004: HK$56,749,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$18,323,000 (2004: HK$8,790,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$49,507,000 (2004: HK$47,959,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$4,311,000 (2004: HK$12,009,000) that will expire in 2022 to 2024 and losses of HK$220,000 (2004: HK$190,000) that will expire in five years time since the dates of incurred. Other tax losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of HK$426,000 (2004: HK$5,640,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

for the year ended 31 December 2005

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2005 HK$'000	2004 HK$'000 (As restated)
Loss for the purpose of basic and diluted loss per share		
– Net loss for the year		
From continuing operations	7,565	95,427
From discounted operation	–	1,748
	7,565	97,175

	Number of shares	
	2005	2004
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	65,989,410	48,297,294

The computation of diluted loss per share does not assume the conversion of convertible preference shares and share options since their exercise would result in a decrease effect in the loss per share.

The Company had consolidated every 100 issued shares of HK$0.01 each into one new issued share of HK$1 each ("Consolidated Shares") on 13 December 2005 (note 26(b)). The weighted average number of ordinary shares for year 2005 and 2004 are adjusted accordingly.

14. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP				THE COMPANY
	Leasehold buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000	Furniture, fixtures and equipment HK$'000
COST					
As at 1 January 2004					
– As previously reported	11,334	16,215	872	28,421	31
– Transfer to prepaid lease payments	(116)	–	–	(116)	–
As restated	11,218	16,215	872	28,305	31
Additions	–	4,296	7	4,303	–
Acquisition of subsidiaries *(note 30)*	–	3,641	48	3,689	–
Transfer from investment properties (Restated) *(note 15)*	5,513	–	–	5,513	–
Disposals	(5,000)	(1,959)	(226)	(7,185)	–
Disposal of subsidiaries *(note 31)*	(4,591)	(3,390)	(701)	(8,682)	–
As at 31 December 2004	7,140	18,803	–	25,943	31
Transfer to investment properties *(note 15)*	(14,698)	–	–	(14,698)	–
Additions	646	1,782	–	2,428	9
Disposal of subsidiaries *(note 31)*	(443)	–	–	(443)	–
Disposals	–	(962)	–	(962)	–
Fair value adjustment	7,355	–	–	7,355	–
As at 31 December 2005	–	19,623	–	19,623	40
ACCUMULATED DEPRECIATION					
As at 1 January 2004					
– As previously reported	3,198	12,190	436	15,824	1
– Transfer to prepaid lease payments	(12)	–	–	(12)	–
As restated	3,186	12,190	436	15,812	1
Acquisition of subsidiaries *(note 30)*	–	468	11	479	–
Provided for the year (Restated)	494	2,437	68	2,999	8
Disposals	(1,667)	(1,529)	(193)	(3,389)	–
Disposal of subsidiaries *(note 31)*	(574)	(1,593)	(322)	(2,489)	–
As at 31 December 2004	1,439	11,973	–	13,412	9
Provided for the year	397	2,336	–	2,733	6
Transfer to investment properties *(note 15)*	(1,754)	–	–	(1,754)	–
Disposals	–	(426)	–	(426)	–
Disposal of subsidiaries *(note 31)*	(82)	–	–	(82)	–
As at 31 December 2005	–	13,883	–	13,883	15
NET BOOK VALUE					
As at 31 December 2005	–	5,740	–	5,740	25
As at 31 December 2004	5,701	6,830	–	12,531	22

for the year ended 31 December 2005

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The balance in respect of leasehold buildings as at 1 January 2004 and 31 December 2004 as previously reported included the prepaid lease payments in respect of leasehold land which was now disclosed separately as "prepaid lease payments".

As at 31 December 2004, certain leasehold buildings at carrying value of HK$5,324,000 where pledged to secure banking facilities granted to the Group.

15. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2004	135,266
Transfer to	
– property, plant and equipment (restated) *(note 14)*	(5,513)
– prepaid lease payments (restated)	(38,437)
Fair value loss	(1,070)
At 31 December 2004	90,246
Transfer from	
– property, plant and equipment *(note 14)*	12,944
– prepaid lease payments	37,306
Disposal of subsidiaries	(7,076)
Fair value gains	7,080
At 31 December 2005	140,500

Investment properties were valued at their fair value at 31 December 2005 by Vigers Appraisal & Consulting Limited, an independent professional valuer. This valuation gave rise to net fair value gains of HK$7,080,000 (2004: net fair value loss of HK$1,070,000) which has been credited to the consolidated income statement.

Most of the Group's investment properties are rented out under operating leases.

The Group's investment properties with carrying value of approximately HK$140,500,000 (2004: HK$81,850,000) have been pledged to secure banking facilities granted to the Group.

15. INVESTMENT PROPERTIES *(continued)*

The carrying amount of investment properties comprises land held under the respective term of remaining leases are as follows:

	2005 HK$'000	2004 HK$'000
Mainland China		
– medium term leases	–	8,396
Hong Kong		
– medium term leases	140,500	81,850
	140,500	90,246

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprises:

	2005 HK$'000	2004 HK$'000 (As restated)
Leasehold land held under medium term leases situated in:		
– Mainland China	–	99
– Hong Kong	–	38,060
	–	38,159

During the year, the property previously held for own use was transferred to investment properties. The related prepaid lease payments at HK$37,306,000 was transferred to investment properties.

As at 31 December 2004, leasehold land with carrying value of HK$38,060,000 (restated) were pledged as security for facilities granted by a bank.

for the year ended 31 December 2005

17. INTANGIBLE ASSETS

	Patents HK$'000	Cable use rights HK$'000	Website software HK$'000	Licensing rights HK$'000	Total HK$'000
COST					
As at 1 January 2004	943	–	–	–	943
Purchase	–	–	777	–	777
Acquisition of subsidiaries *(note 30)*	–	3,636	–	–	3,636
Disposal of subsidiary	(943)	–	–	–	(943)
As at 31 December 2004	–	3,636	777	–	4,413
Purchase	–	–	14	–	14
Acquisition of a subsidiary *(note 30)*	–	–	–	22,055	22,055
Exchange fluctuation	–	(10)	(64)	–	(74)
As at 31 December 2005	–	3,626	727	22,055	26,408
ACCUMULATED AMORTISATION					
As at 1 January 2004	188	–	–	–	188
Amortisation	47	254	13	–	314
Acquisition of subsidiaries *(note 30)*	–	150	–	–	150
Disposal of subsidiary	(235)	–	–	–	(235)
As at 31 December 2004	–	404	13	–	417
Amortisation	–	269	162	4,050	4,481
Exchange fluctuation	–	(1)	(16)	–	(17)
As at 31 December 2005	–	672	159	4,050	4,881
NET BOOK VALUE					
As at 31 December 2005	–	2,954	568	18,005	21,527
As at 31 December 2004	–	3,232	764	–	3,996

All of the Group's cable use rights, website software and licensing rights were acquired from third parties.

for the year ended 31 December 2005

18. GOODWILL

	HK$'000
COST	
At 1 January 2004	70,778
Arising on acquisition of a subsidiary *(note 30)*	3,105
Eliminated on disposal of a subsidiary	(8,514)
At 31 December 2004	65,369
AMORTISATION AND IMPAIRMENT	
At 1 January 2004	9,033
Amortisation for the year	9,901
Eliminated on disposals during the year	(8,514)
Impairment loss recognised in the year	54,949
At 31 December 2004	65,369
NET BOOK VALUE	
At 31 December 2004	–

Due to rapid changes of market conditions in telecommunication value added services in Hong Kong and Mainland China, particularly, tighter statutory regulations and prolonged cycle of approval of launch of new products in Mainland China market, the management performed an assessment of the businesses with reference to the value in use as at 31 December 2004. As a result, based on the estimated value, the Group recognised impairment losses for goodwill of HK$52.4 million in Entertainment Media segment.

In second half of 2004, a Japan strategic partner of a Hawaii Telecommunication subsidiary restructured its businesses by terminating certain services and changing scope of services provided. The business restructuring of the Japan partner resulted significant reduction of revenue of that subsidiary. The management reviewed the performance of that subsidiary with reference to the value in use as at 31 December 2004 and subsequently recognised impairment loss for goodwill at HK$2.5 million in Telecommunication segment.

for the year ended 31 December 2005

19. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under finance leases:				
Within one year	**25,680**	252	**18,218**	187
After first year but within second year	**24,108**	355	**18,113**	283
After the second to fifth year inclusive	**67,226**	1,064	**59,445**	957
After five years	**–**	89	**–**	88
	117,014	1,760		
Less: unearned finance income	**(21,238)**	(245)		
Present value of minimum lease payments receivable	**95,776**	1,515	**95,776**	1,515
Analysed as:				
Non-current finance lease receivables (recoverable after 12 months)			**77,558**	1,328
Current finance lease receivables (recoverable within 12 months)			**18,218**	187
			95,776	1,515

During the year ended 31 December 2004, the Group entered into a finance leasing arrangement for certain telecommunication equipment and the term of finance leases entered into are 5.5 years.

On 12 August and 15 November 2005, the Group entered into two agreements with Freparnetwork Inc. ("Frepar"), a shareholders of the Company, to manage a maximum of 3,400 digital content download kiosk machines for a period of 5 years, details of which were disclosed in circulars of the Company dated 8 September and 8 December 2005 respectively. These agreements have been accounted for as finance leases. As at 31 December 2005, 600 machines have been leased to Frepar.

The interest rates inherent in the leases are fixed at the contract date for the lease term. The weighted average interest rate on finance lease receivables at 31 December 2005 was 8.45% (2004: 6%). Estimated unguaranteed residual values of asset leased under finance leases is nil.

Included in the finance lease receivables is the amount of HK$94,371,000 which is denominated in Japanese Yen.

20. INTERESTS IN SUBSIDIARIES

	2005 HK$'000	2004 HK$'000
Unlisted shares/investments, at cost	**11,737**	11,500
Loans to subsidiaries	**47,000**	22,000
Amounts due from subsidiaries	**683,487**	672,959
	742,224	706,459
Less:		
– impairment loss on cost of investments	**–**	–
– allowance for amounts due from subsidiaries	**(593,823)**	(588,726)
	148,401	117,733

Loans to subsidiaries are unsecured, interest bearing at average rate of 7.62% and have no fixed terms of repayment.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

In the opinion of the directors of the Company, these amounts will not be demanded for repayment within twelve months from the balance sheet date, accordingly these amounts are classified as non-current.

(a) Particulars of the Company's principal subsidiaries as at 31 December 2005 are as follows:

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group Direct	Effective equity interest attributable to the Group Indirect	Nature of Business
Sun Innovation Resources Limited	Hong Kong	HK$2	–	100%	Provision of management services
Cornwick Investments Limited	Hong Kong	HK$2	–	100%	Holding investment properties in Hong Kong

for the year ended 31 December 2005

20. INTERESTS IN SUBSIDIARIES *(continued)*

(a) Particulars of the Company's principal subsidiaries as at 31 December 2005 are as follows: (continued)

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group Direct	Effective equity interest attributable to the Group Indirect	Nature of Business
Sai Chak Company Limited	Hong Kong	HK$100,000	–	100%	Holding investment properties in Hong Kong
Sun Innovation Media Group Limited	British Virgin Islands/ Hong Kong	US$1,000	–	100%	Investment holding
Cellcast (Asia) Limited	British Virgin Islands/ Hong Kong	US$37,525	–	99.93%	Provision of content and information services
Media Elite Limited	British Virgin Islands/ Hong Kong	US$16,000	–	100%	Provision of advertising agency services and magazine publishing
New Multimedia Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Provision of content and information services
Cellcast Technology (Shenzhen) Limited (i)	Mainland China	HK$1,000,000	–	100%	Investment holding
New Power Limited (ii)	Mainland China	RMB10,100,000	–	51%	Provision of content and information services

20. INTERESTS IN SUBSIDIARIES *(continued)*

(a) Particulars of the Company's principal subsidiaries as at 31 December 2005 are as follows: (continued)

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group Direct	Indirect	Nature of Business
S.I. Corporate Services Limited (formerly known as Telecom Innovation Limited)	Hong Kong	HK$100	–	100%	Provision of corporate services
Wide Profit Enterprises Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
Sun Innovation Hawaii Inc. (formerly known as Circle Telecom USA Inc)	USA	US$10	–	100%	Investment holding and provision of management services
Channel Media Inc.	USA	US$1,000	–	100%	Provision of content and information services
Visual Paradise Inc.	USA	US$200,000	–	100%	Provision of content and information services
Drive Limited	Hong Kong	HK$1	–	100%	Provision of content and information services
Sun Innovation Management Services Limited	Hong Kong	HK$2	100%	–	Provision of management services

for the year ended 31 December 2005

20. INTERESTS IN SUBSIDIARIES *(continued)*

(a) Particulars of the Company's principal subsidiaries as at 31 December 2005 are as follows: (continued)

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group Direct	Indirect	Nature of Business
Sun Innovation Japan Investments Limited (formerly knowns as Sun Innovation (China) Investments Limited)	Hong Kong	HK$100	–	100%	Investment holding
Sun Innovation Investment Limited (formerly known as Sun Innovation Leasing Limited	Hong Kong	HK$10,000	–	100%	Provision of investment advisory and capital leasing services
Circle Telecom USA LLC	USA	US$100	–	100%	Provision of telecommunication services
Drive Limited	Japan	JPY18,000,000	–	100%	Provision of content and information services
Media Elite Japan Limited	Japan	JPY10,000,000	–	100%	Distribution and sales of content and information

(i) Cellcast Technology (Shenzhen) Limited is a wholly owned foreign enterprise established in Mainland China.

(ii) New Power Limited is limited company established in Mainland China.

20. INTERESTS IN SUBSIDIARIES *(continued)*

Save as stated separately, the above companies' places of operation are the same as their respective places of incorporation.

The above list includes the subsidiaries which, in the opinion of the directors, materially affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

21. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

THE GROUP

As at 31 December 2005, Group's bank deposits of approximately HK$8,692,000 (2004: HK$8,603,000) were pledged to a bank to secure for a performance bond issued by that bank (note 36(i)). Such deposit was unpledged and uplifted in April 2006.

Included in the balances of the Group is an amount of approximately HK$3,113,000 (2004: HK$1,322,000) which is denominated in Renminbi. Renminbi is not a freely convertible currency.

THE COMPANY

The amount represents bank deposits pledged to a bank to secure for a performance bond issued by that bank which was unpledged and uplifted in April 2006.

22. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**16,646**	7,601	**–**	–
Other receivables and prepayments	**3,222**	2,963	**273**	76
	19,868	10,564	**273**	76

for the year ended 31 December 2005

22. TRADE, OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

The Group normally allows an average credit period of 60 days to trade customers. As at 31 December 2005, the ageing analysis of the Group's trade receivables was as follows:

	2005 HK$'000	2004 HK$'000
Current	**12,458**	2,110
31 – 60 days	**892**	2,157
61 – 90 days	**1,211**	1,632
over 90 days	**2,085**	1,702
	16,646	7,601

23. TRADE, OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Trade payables	**13,252**	9,199	–	–
Other payables and accruals	**15,230**	10,262	7,373	2,884
	28,482	19,461	7,373	2,884

As at 31 December 2005, the ageing analysis the Group's trade payables was as follows:

	2005 HK$'000	2004 HK$'000
Current	**4,719**	1,733
31 – 60 days	**1,487**	774
61 – 90 days	**225**	321
Over 90 days	**6,821**	6,371
	13,252	9,199

24. BORROWING – SECURED

	THE GROUP		THE COMPANY	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts	**456**	–	**456**	–
Bank loans *(note (a))*	**38,937**	33,334	**19,000**	8,000
Other loan *(note (b))*	**–**	1,000	**–**	1,000
	39,393	34,334	**19,456**	9,000

The maturity profile of the above borrowings and overdrafts are as follows:

	THE GROUP		THE COMPANY	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
On demand or within one year	22,354	14,784	19,456	8,000
More than one year but not exceeding two years	1,721	1,834	–	–
More than two years but not exceeding five years	5,800	5,820	–	–
More than five years	9,518	11,896	–	1,000
	39,393	34,334	19,456	9,000
Less: Amounts due within one year shown under current liabilities				
Bank overdrafts	456	–	456	–
Bank loans	21,898	14,784	19,000	8,000
	22,354	14,784	19,456	8,000
Amount due after one year	17,039	19,550	–	1,000

24. BORROWING – SECURED *(continued)*

Notes:

(a) The bank loans are secured by investment properties and certain leasehold land and buildings of the Group with a total net book value of HK$140,500,000 (2004: HK$125,234,000 (restated)) (notes 14, 15 & 16). The bank loans bear interest at the rates of 2.35% to 6.15% (2004: 3% to 5%) per annum.

(b) Other loan

The Company had borrowed HK$70,000,000 (the "Loan") from Station Investments Limited ("Station"), a shareholder of the Company, to acquire a group of subsidiaries in 2003 at the consideration of HK$67,000,000. The Loan would mature in January 2010, interest bearing at the rate of 3% per annum for the first year and thereafter 6% per annum until maturity and was secured by 805,570,000 shares of the Company held by e-Compact Limited, a substantial shareholder of the Company, and the entire issued shares of a wholly owned subsidiary of the Company which indirectly holds a property in Hong Kong.

Pursuant to the loan agreement with Station, in January 2004, the Company granted a non-transferable option to SIL, carrying rights to subscribe for a maximum of 180,000,000 shares of the Company at HK$0.02 per share before December 2008 (note 29(c)) and as long as any of the Loan is still outstanding.

On 12 July 2004, the Company issued 3,066,666,666 convertible preference shares of HK$0.01 each at the conversion price of HK$0.0225 each in the share capital of the Company ("Convertible Preference Shares") in accordance with a subscription agreement with SIL dated 8 April 2004 to settle HK$69,000,000 of the Loan (note 28(a)). The remaining outstanding loan amount of HK$1,000,000 at 31 December 2004 was fully settled during the year ended 31 December 2005.

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**20,149**	–	**13,209**	–
After one year but within two years	**21,785**	–	**15,900**	–
In the second to fifth years inclusive	**74,078**	–	**65,882**	–
	116,012	–		
Less: future finance charges	**(21,021)**	–		
Present value of lease obligations	**94,991**	–	**94,991**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			(13,209)	–
Amount due for settlement after 12 months			81,782	–

On 12 August and 15 November 2005, the Group entered into two agreements with Quants Inc ("Quants"), a shareholder of the Company, to lease a maximum of 3,400 certain of its digital content download kiosk machines under finance leases. The term of the leases is 5 years and the details of which were disclosed in circulars of the Company dated 8 September and 8 December 2005, 600 machines have been leased from Quants. For the year ended 31 December 2005, the average effective borrowing rate was 7.73%. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Japanese Yen.

for the year ended 31 December 2005

26. SHARE CAPITAL

	Number of ordinary shares 2005	Number of ordinary shares 2004	Amount 2005 HK$'000	Amount 2004 HK$'000
Authorised:				
At beginning of the year				
As at 1 January 2005 and 2004 of HK$0.01 each	71,933,333,334	75,000,000,000	719,333	750,000
Authorised ordinary share capital reclassified to Convertible Preference Shares (note (a))	–	(3,066,666,666)	–	(30,667)
Consolidation of shares (note (b))	(71,214,000,000)	–	–	–
Increase in authorised ordinary share capital (note (c))	10,666,666	–	10,667	–
At end of year, As at 31 December 2005 of HK$1 each and 31 December 2004 of HK$0.01 each	730,000,000	71,933,333,334	730,000	719,333
Issued and fully paid:				
At beginning of year				
As at 1 January 2005 and 2004 of HK$0.01 each	5,100,888,973	4,382,438,973	51,009	43,824
Issue of ordinary shares (notes (d) and (e))	2,594,616,666	718,450,000	25,946	7,185
Consolidation of shares (note (b))	(7,618,550,583)	–	–	–
As at 31 December 2005 of HK$1 each and 31 December 2004 of HK$0.01 each	76,955,056	5,100,888,973	76,955	51,009

Notes:

(a) At the special general meeting of the Company held on 28 June 2004, the authorised capital of the Company was reclassified into 71,933,333,334 ordinary shares of HK$0.01 each and 3,066,666,666 convertible preferences shares ("CPS") by redesignating 3,066,666,666 ordinary shares into 3,066,666,666 convertible preference shares of HK$0.01 each and the existing issued shares would remain as share capital of ordinary shares of the Company (note 28).

26. SHARE CAPITAL *(continued)*

Notes: (continued)

(b) Share consolidation

At the special general meeting of the company held on 12 December 2005, a share consolidation was effected such that every one hundred ordinary shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$1.00 each ("Share Consolidation").

(c) Authorised share capital reclassification

Immediately after the Share Consolidation, the reclassification of authorised share capital ("Authorised Share Capital Reclassification") as disclosed in the Company's circular dated 18 November 2005 became effective. The authorised ordinary share capital of the company was increased from HK$719,333,334 divided into 719,333,334 Consolidated Shares of HK$1.00 each to HK$730,000,000 divided into 730,000,000 Consolidated Shares by the creation of 10,666,666 Consolidated Shares. The authorized convertible preference share capital of the Company was reduced from HK$30,666,666 divided into 3,066,666,666 convertible preferences shares ("CPS") of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 CPS of HK$0.01 each by the cancellation of 1,066,666,666 authorised but unissued CPS. Upon completion of the Authorised Share Capital Reclassification, the authorized share capital of the company became HK$750,000,000, of which the authorized ordinary share capital of the Company was HK$730,000,000 divided into 730,000,000 Consolidated Shares of HK$1.00 each, and the authorized convertible preference share capital of the Company was HK$20,000,000 divided into 2,000,000,000 CPS of HK$0.01 each.

(d) (i) In March 2004, the Company issued 475,000,000 ordinary shares of the Company at HK$0.024 each as settlement to Circle Asia Inc. (renamed as Yasuko-No-Denwa, Inc. in August 2004) to repay a debt in the amount of approximately HK$11,400,000.

(ii) In December 2004, Station Investment Limited ("Station") exercised 90,000,000 options to subscribe for 90,000,000 shares of the Company at HK$0.020 per share.

(iii) In 2004, the Company issued 153,450,000 ordinary shares of the Company to the employees and a customer of the Group granted under the 2002 share option scheme. The market prices of the shares ranged from HK$0.020 to HK$0.086 on the exercise dates of the share options.

(e) (i) In 2005, options were exercised by certain directors and employees to subscribe for 247,950,000 shares in the Company at an average consideration of $0.0203 per share, totaling approximately HK$5,096,450 (note 29).

(ii) On 4 May 2005, Station exercised the remaining 90,000,000 options to subscribe for 90,000,000 shares of the Company at HK$0.02 per share.

(iii) On 24 January and 6 December 2005, the Company issued 196,000,000 and 294,000,000 ordinary shares of the Company at HK$0.064 each and HK$0.033 each respectively to Frepar to acquire Drive Limited, a company incorporated in Japan (note 30).

(iv) During the year, totaling 1,766,666,666 convertible preference shares were converted into ordinary shares at HK$0.0225 each (note 28(d)).

for the year ended 31 December 2005

27. RESERVES

	Share premium HK$'000	Convertible preferences shares reserve HK$'000	Share-based Payment Reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
COMPANY						
At 1 January 2004	–	–	–	137,644	(54,856)	82,788
Issue of shares *(note 26(e))*	9,295	–	–	–	–	9,295
Loss for the year	–	–	–	–	(97,277)	(97,277)
At 1 January 2005	9,295	–	–	137,644	(152,133)	(5,194)
Convertible preference shares (equity portion)	–	23,100	–	–	–	23,100
At 1 January 2005 (Restated)	9,295	23,100	–	137,644	(152,133)	17,906
Issue of shares on acquisition of subsidiary	17,346	–	–	–	–	17,346
Conversion of convertible preference shares	23,073	(13,308)	–	–	–	9,765
Issue of shares on exercise of share option	3,518	–	–	–	–	3,518
Share reorganisation	(53,232)	–	–	53,232	–	–
Recognition of equity-settled share-based payment	–	–	8,042	–	–	8,042
Release upon lapse of share options	–	–	(48)	–	48	–
Loss for the year	–	–	–	–	(16,275)	(16,275)
	–	9,792	7,994	190,876	(168,360)	40,302

Contributed surplus of the Company represents (i) the excess of the nominal value of the shares issued by the Company over the nominal value of the issued share capital of subsidiaries acquired pursuant to a group reorganisation which took place in 1992; (ii) the increase and application of contributed surplus under the capital reorganisation scheme which took place in 2003; (iii) the increase of contributed surplus under the capital reorganisation which took place in 2005 (note 26).

27. RESERVES *(continued)*

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31 December 2005, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$22,516,000. No dividend was declared or paid during the year.

28. CONVERTIBLE PREFERENCE SHARES

	2005 Number of Convertible Preference shares	2004 Number of Convertible Preference shares
Authorised:		
At the beginning of year all convertible preference shares of HK$0.01 each	**3,066,666,666**	–
Convertible preference shares of HK$0.01 each reclassified from ordinary shares *(note 26(a))*	**–**	3,066,666,666
Reduction during the year *(note 26(c))*	**(1,066,666,666)**	–
At the end of year	**2,000,000,000**	3,066,666,666

for the year ended 31 December 2005

28. CONVERTIBLE PREFERENCE SHARES *(continued)*

The movement of the Convertible Preference Shares for the year is set out below:

	Number of convertible preference shares	Equity component HK$'000	Liability component HK$'000	Total HK$'000
Issue of convertible preference shares *(note (a))*	3,066,666,666	0	69,000	69,000
31 December 2004 and 1 January 2005	3,066,666,666	0	69,000	69,000
Split into equity and liability components *(note (b))*	0	23,100	(23,100)	0
1 January 2005 (restated)	3,066,666,666	23,100	45,900	69,000
Converted to ordinary shares *(note (d))*	(1,766,666,666)	(13,308)	(27,432)	(40,740)
Imputed interest	0	0	2,750	2,750
31 December 2005	1,300,000,000	9,792	21,218	31,010

(a) On 12 July 2004, the Company issued 3,066,666,666 Convertible Preference Shares to settle HK$69,000,000 of the Loan to Station (note 24(b)).

(b) The carrying amount of Convertible Preference Shares in issue by the Company as at 1 January 2005 were split into the equity portion for the fair value of the conversion right by the Convertible Preference shareholders, and the liability portion which is adjusted for the effect of imputed interest based on the prevailing market rate as at the date of grant and are carried at amortised cost using the effective interest method.

(c) The principal terms of the Convertible Preference Shares are set out below:

- The Convertible Preference Shares rank in priority to any other class of shares in the capital of the Company, as to dividends and a return of capital on the winding up of the Company or otherwise.

- Subject to the requirements of the Companies Act 1981 of Bermuda, each Convertible Preference Share will be entitled to a cumulative annual dividend of 1% on the principal amount payable annually in arrears commencing from 29 January 2007 up to 29 January 2010 but will not be entitled to any further dividend distribution.

- Holders of the Convertible Preference Shares will be entitled to convert their shares in multiples of 100,000,000 into ordinary shares at any time from the date of issue up to 29 January 2010 at a conversion price of HK$0.0225 per share, subject to adjustment.

28. CONVERTIBLE PREFERENCE SHARES *(continued)*

(c) The principal terms of the Convertible Preference Shares are set out below: ***(continued)***

- Holders of the Convertible Preference Shares shall be entitled to participate in any rights issue or open offer of shares made to shareholders but shall not be entitled to vote at any general meeting of the Company unless a resolution is to be proposed for the winding up of the Company or to vary or abrogate the rights of the holders of the Convertible Preference Shares.

- To the extent that the Convertible Preference Shares have not been converted or redeemed on or prior to 29 January 2010, they shall be, subject to the Companies Act 1981 of Bermuda, redeemed by the Company at par on 29 January 2010.

(d) During the year, totalling 1,766,666,666 Convertible Preference Shares were converted into ordinary shares at HK$0.0225 each. (note 26(e)(iv))

29. SHARE-BASED PAYMENT TRANSACTIONS

The Company operates the following equity-settled share option arrangements:

(a) 2002 Share Option Scheme
The Company adopted a share option scheme on 16 May 2002 ("the 2002 Option Scheme"), to adopt the changes in the Chapter 17 of the Listing Rules, under which the Company may grant options to any Executive or Non-Executive Directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards. As at 31 December 2005, options have already granted to employees, Executive Directors, a customer and a consultant of the Company.

The outstanding share options under 2002 Option Scheme as at 1 January 2004 were granted on 2 June 2003 with an exercise price of HK$0.02 per share of which 107,600,000 and 6,450,000 share options were exercisable over a period of three years and two years, respectively, from the date of grant. For options with exercisable period of three years, 80,800,000 options and 5,000,000 options were exercised during 2004 and 2005 respectively. For options with exercisable period of two years, 5,150,000 options and 1,000,000 options were exercised in 2004 and 2005 respectively, 300,000 options were lapsed in 2004.

On 18 March 2004, the Company granted 92,350,000 options to the employees of the Group at the exercise price of HK$0.022 each for a period of two years. 50,000,000 options and 37,700,000 options were exercised in 2004 and 2005 respectively, 3,900,000 options and 750,000 options were lapsed in 2004 and 2005 respectively.

On 28 June 2004, the shareholders of the Company has approved and granted 200,000,000 options to Mr. Michele Matsuda, Chairman of the Company, at the exercise price of HK$0.020 each for a period of ten years. Such options were exercised in 2005.

On 30 June 2004, the Company granted 10,000,000 options to an employees of the Group at the exercise price of HK$0.020 each for a period of two years and all such options were exercised in 2004.

29. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Equity-settled share option schemes of the Company *(continued)*

(a) 2002 Share Option Scheme (continued)

On 13 August 2004, the Company also granted 1,750,000 options to the employees of the Group at the exercise price of HK$0.0362 each for a period of two years. 750,000 options were exercised in 2004 and 1,000,000 options were lapsed in 2005.

On 28 October 2004, the Company also granted 32,700,000 options to the directors and employees of the Group at the exercise price of HK$0.0346 each for a period of two years. 6,750,000 options and 4,250,000 options were exercised in 2004 and 2005 respectively. 1,500,000 options were lapsed in 2004.

On 5 January 2005, the Company granted 4,000,000 options to an employee and 2,000,000 options to a consultant of the Group at the exercise price of HK$0.0690 each for a period of two years.

On 26 January 2005, the Company granted 30,000,000 options to consultant who was appointed as a director during 2005, 2,000,000 options to independent consultant and 5,500,000 options to the employees of the Group at the exercise price of HK$0.0650 each for a period of two years. Among the 5,500,000 options, 1,500,000 options were lapsed in 2005.

On 26 April 2005, the Company also granted 750,000 options to an employee at the exercise price of HK$0.0550 each for a period of two years. The options were lapsed during 2005.

On 25 May 2005, the Company granted 200,000,000 options to Mr. Michele Matsuda, Executive Director of the Company, at the exercise price of HK$0.0578 each for a period of ten years.

(b) Strategic alliance

In December 2004, the Company granted on option to Knight Assets Limited, to require the Company to issue and allot up to 230,000,000 ordinary shares for a par value of HK$0.01 in the Company at a price of HK$0.0468 per share for the period up to 16 December 2005. These options were lapsed as at 31 December 2005.

In January 2005, the Company has also granted in aggregate 225,000,000 options of the Company to Mr Lai On Shing, Mr Au Chung Kong and Sinoland International Limited. Such options were lapsed in February 2006.

(c) In January 2004, the Company granted a non-transferrable option to Station, for 180,000,000 shares of the Company at HK$0.02 per share on or before December 2008 and as long as any of the Loan is outstanding (note 24(b)). 90,000,000 options and 90,000,000 options were exercised in 2004 and 2005, respectively.

29. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Movements of share options of the Company during the year are as follows:

	Number of Share Options									
	Outstanding as at 1.1.2004 '000	Granted during 2004 '000	Exercised during 2004 '000	Lapsed during 2004 '000	Outstanding as at 31.12.2004 '000	Granted during 2005 '000	Exercised during 2005 '000	Lapsed during 2005 '000	Consolidation during 2005 '000	Outstanding as at 31.12.2005 '000
Category:										
2002 Option Scheme *(note a)*										
Directors	87,600	242,200	(85,800)	–	244,000	200,000	(212,000)	–	(229,680)	2,320
Employees	21,450	94,600	(62,650)	(5,700)	47,700	10,250	(35,950)	(4,000)	(17,820)	180
Customer	5,000	–	(5,000)	–	–	–	–	–	–	–
Consultant	–	–	–	–	–	32,000	–	–	(31,680)	320
	114,050	336,800	(153,450)	(5,700)	291,700	242,250	(247,950)	(4,000)	(279,180)	2,820
Weighted average exercise price	0.0200	0.0221	0.0213	0.0271	0.0215	0.0591	0.0203	0.0479	–	0.0545
Other										
Strategic alliance *(note (b))*	–	230,000	–	–	230,000	225,000	–	(230,000)	(222,750)	2,250
Lender *(note (c))*	–	180,000	(90,000)	–	90,000	–	(90,000)	–	–	–
	–	410,000	(90,000)	–	320,000	225,000	(90,000)	(230,000)	(222,750)	2,250
Weighted average exercise price	–	0.0350	0.0200	–	0.0343	0.0630	0.0200	0.0468	–	0.0630
	114,050	746,800	(243,450)	(5,700)	611,700	467,250	(337,950)	(234,000)	(501,930)	5,070

In accordance with the transitional provisions of HKFRS 2, the Group has not applied HKFRS 2 to options which were granted after 7 November 2002 but which had vested before 1 January 2005. Accordingly, the Group has applied HKFRS 2 to options granted in 2005. In 2005, options were granted on 5 January, 26 January, 21 February, 26 April and 25 May 2005. The estimated fair values of the options granted on those dates are HK$2.4, HK$2.3, HK$1.7, HK$1.8 and HK$1.6 (fair value after Stock Consolidation) respectively.

for the year ended 31 December 2005

29. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised by the employees was HK$0.0630. The option outstanding at the end of the year have a weighted average remaining contractual life of 1.78 years (2004: 2.23 years).

The fair value was determined by using Black-Scholes-Merton Option Pricing Model. The key valuation parameters as adopted in assessing the fair value of the share options included the exercise price, risk free rate, nature of the share options, expect option period, volatility and expected dividend yield.

	2002 Share option scheme	**Strategic alliance**
Weighted average fair value at grant date per share*	HK$6.5	HK$6.3
Weighted average exercise price*	HK$5.9	HK$6.3
Expected volatility	71%-116%	112%
Expected life	2 years	1 year
Risk-free rate	3.63%-3.74%	3.76%
Expected dividend yield	0%	0%

The valuation assumed that there will be no substantial fluctuation in the economic outlook and specific industry outlook affecting the continuity of the Group's business and the price of the underlying securities. It also assumed that there will be no material change in the existing political, legal, technological, fiscal or economic condition which may significantly affect the continuity of the Group's business.

The Group recognised total expenses of HK$8,042,000 related to equity settled share based payment transactions during the year.

* Adjusted with Stock Consolidation

30. ACQUISITION OF A SUBSIDIARY

In January 2005, the Group acquired the entire issued capital of Drive Limited at a total consideration of HK$22,246,000 which were satisfied by the issue and allotment of 196,000,000 shares of HK$0.01 each of the Company at an issue price of HK$0.064 per share in 24 January 2005 and 294,000,000 shares of HK$0.01 each of the Company at an issue price of HK$0.033 per share on 6 December 2005. In August 2005, the Group acquired 40% equtiy interest in Mansion China Company Limited. These acquisitions have been accounted for by the acquisition method of accounting.

In January 2004, the Group acquired the entire issued share capital of Circle Telecom USA Inc for consideration of US$1 from a company beneficially owned by a director of the Company and resulted in a goodwill on acquisition of HK$3.1 million.

	2005 HK$'000	2004 HK$'000
NET ASSETS ACQUIRED		
Property, plant and equipment	–	3,210
Licensing rights	22,055	–
Cable use right	–	3,486
Trade and other receivables	36	1,035
Bank balances and cash	156	171
Trade and other payables	(1)	(10,727)
Bank loan	–	(280)
	22,246	(3,105)
Goodwill	–	3,105
Total consideration	22,246	–
Satisfied by:		
Issue of share capital *(note 26(e)(iii))*	22,246	–
	22,246	–
Net cash inflow arising on acquisition:		
Bank balances and cash acquired	156	171
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	156	171

for the year ended 31 December 2005

30. ACQUISITION OF A SUBSIDIARY *(continued)*

Drive Limited contributed approximately HK$16,548,000 to the Group's turnover, and resulted a profit of HK$1,093,000 to the Group's operating loss.

31. DISPOSAL OF SUBSIDIARIES

On 29 August 2005, the Group disposed the entire share capital of two non-wholly owned subsidiaries, Alion Development Limited ("ADL") and Unique Profit Development Limited ("UPDL"). The net assets of ADL and UPDL at the date of disposal were as follows:

	2005 HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	361
Investment properties	7,076
Prepaid lease payment	95
Trade and other payables	(497)
Amount due to group companies	(21,716)
Net liabilities	(14,681)
Waiver of net amounts due from subsidiaries upon disposal	21,716
Loss on disposal	(4,319)
Total consideration	2,716
Satisfied by:	
Cash	2,716
	2,716
Net cash inflow arising on disposal:	
Cash consideration	2,716
	2,716

31. DISPOSAL OF SUBSIDIARIES *(continued)*

The subsidiaries disposed of during the year contributed HK$481,000 to the Group's turnover and resulted loss of HK$1,150,000 to the Group's loss from operations.

32. MAJOR NON-CASH TRANSACTIONS

(a) On 24 January 2005, the Company has issued 196,000,000 shares of the Company at HK$0.064 each to Frepar to acquire Drive Limited;

(b) On 6 December 2005, the Company has issued 294,000,000 shares of the Company at HK$0.033 each to Frepar to acquire Drive Limited.

(c) During the year, totalling 1,766,666,666 CPS were converted into ordinary shares at HK$0.0225 each and 17,666,666 consolidated shares of HK$1.00 each were issued.

(d) During the year, the Group leased kiosk machines from Quants under finance lease and recorded obligation under finance lease at HK$103,379,000 on inception date. The Group leased out such machines to Frepar under finance lease and recorded finance lease receivable at HK$103,397,000 on inception date.

33. RETIREMENT BENEFIT SCHEME

The Group contributes to defined contribution provident funds, including the scheme set up pursuant to the Hong Kong Mandatory Provident Fund Ordinance ("MPF Scheme"), which are available to all employees. In accordance with the terms of the provident funds, contributions to the schemes by the Group and the employees are calculated as a percentage of the employees' basic salaries. For the MPF Scheme, both the employees and the employer are required to contribute 5% of the employees' monthly salaries up to a maximum of HK$1,000 ("Mandatory Contribution"). Employees can choose to make additional contributions and the employer will contribute the same amount of additional contributions. The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement age of 65 years old, death or total incapacity. The unvested benefits of employees forfeited upon termination of employment can be utilised by the Group to reduce future levels of contributions. During the year, the aggregate amount of employer's contribution made by the Group was approximately HK$1,117,000 (2004: HK$383,000), after deduction of forfeited contribution of approximately HK$Nil (2004: HK$116,000).

Subsidiaries operating in Mainland China are required to participate in a defined contribution retirement plan organised by the local government. The subsidiaries are required to make contributions to the retirement plan at certain percentage of basic salaries of each Mainland China employee of the Group.

for the year ended 31 December 2005

34. OPERATING LEASE COMMITMENTS

(i) As at 31 December 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Equipment	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**1,137**	536	**1,519**	14
Later than one year and not later than five years	**946**	–	**34**	48
	2,083	536	**1,553**	62

(a) Property leases are negotiated for an average term of three years.

(b) Equipment as at 31 December 2005 included a lease of 70 digital content download kiosk machines leased from Quants for a period of 6 months.

(ii) As at 31 December 2005, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	Investment properties		Equipment	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
			(note b)	
Not later than one year	**2,040**	2,537	**1,505**	70
Later than one year and not later than five years	**1,058**	3,592	**–**	59
	3,098	6,129	**1,505**	129

(a) The properties held at balance sheet date have committed tenants for an average term of three years.

(b) The operating lease receivable in respect of equipment as at 31 December 2005 represents the leasing of 70 digital content download machines to Frepar for a term of 6 months.

for the year ended 31 December 2005

35. PLEDGE OF ASSETS AND GUARANTEES

(a) As at 31 December 2005, the Group had aggregate banking facilities of approximately HK$57,390,000 (2004: HK$57,390,000) from a bank for guarantees, bank overdrafts, short-term loan and long-tem loan. Unused banking facilities as at the same date amounted to HK$14,659,000 (2004: HK$22,390,000). The bank facilities were secured by:

(i) cross guarantees totalling HK$35,000,000 (2004: HK$35,000,000) given by the Company and certain of its subsidiaries in respect of a shared banking facility to be used by the Company and these subsidiaries;

(ii) investment properties and certain leasehold land and buildings of the Group with a total net book value of approximately HK$140,500,000 (2004 restated: HK$125,234,000) as at 31 December 2005 (notes 14 to 16).

(iii) personal guarantee of a director of the Company and a director of a subsidiary up to the extent of HK$390,000 (2004: 390,000).

(b) As at 31 December 2005, the Group also had an unsecured revolving term loan facility of HK$20,000,000 from Quants. The facility remained unused as at the balance sheet date.

(c) As at 31 December 2004, the Group's other long-term loan of HK$1,000,000 was secured by the entire issued shares of a wholly owned subsidiary of the Group which indirectly holds a property in Hong Kong. The loan was fully settled during the year.

36. CONTINGENT LIABILITIES

Save as disclosed in note 35, as at 31 December 2005 the Group has material outstanding litigations as follows:

(a) a statement of claim was lodged in July 2000 against the Company for a sum of approximately HK$18,979,000 and damages for breach of agreement allegedly made with a third party in respect of financial support for certain construction projects which the Company had allegedly agreed to undertake. The directors, having sought independent legal advice, are of the opinion that the case is unclear at this stage as the amount of liability could not be measured with sufficient reliability. Accordingly, no provision has been made in the accounts in respect of the claim.

(b) a third party notice was served upon the Company in September 1998 to seek indemnity/contribution from the Company and was subsequently amended in October 1998. The Company is alleged to be in default of the co-operative agreement in respect of a corporate guarantee of HK$2,000,000. As a result of the alleged breach, a claim is made against the Company for the suffered loss and damages including but not limited to the fact that the claimants' liability towards a bank. The directors are of the opinion of the case has been dormant for a number of years and therefore no provision has been made in the accounts in respect of the claim.

for the year ended 31 December 2005

37. CAPITAL COMMITMENT

The Group did not have any significant capital commitment as at 31 December 2005.

38. RELATED PARTY TRANSACTIONS

Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

(a) During 2004, Sun Innovation Hawaii Inc. had paid approximately HK$978,000 for the content services and telecommunication net working services to a company which is owned by a director of the subsidiary. The transactions were made based on the contracts stipulated before Sun Innovation Hawaii Inc. became the subsidiary of the Group. All these contracts were terminated by the end of August 2004.

(b) Compensation of key management personnel
Management considers remuneration to all lay management of the Group has already been disclosed in note 11.

Save as disclosed in notes 30, 31 and 35 and above, the Group did not have any significant related party transactions for the year ended 31 December 2005.

39. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate and currency risk. These risks are limited by the group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and finance lease receivables.

The Group's credit risk is primarily attributable to its trade receivables and finance lease receivables. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

At 31 December 2005, the Group has a concentration of credit risk as 33% and 70% (2004: 9% and 39%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest-rate risk arises from finance lease receivables, long-term borrowings and obligations under finance leases. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. Except for convertible preference shares and obligations under finance leases, all borrowings were at floating rates.

39. FINANCIAL RISK MANAGEMENT *(continued)*

Foreign exchange risk

The Group's turnover, expenses, assets and liabilities are principally denominated in Hong Kong Dollars ("HKD"), United States Dollars ("USD"), Renminbi ("RMB") and Japanese Yen ("JPY"). The Group is exposed to foreign exchange risk arising form the exposure of HKD against USD, RMB and JPY, respectively.

The Group's borrowings denominated in JPY, HKD and USD represents 61.0%, 38.8% and 0.2% of the total borrowings respectively. The exchange rates of USD and RMB against HKD were relatively stable during the year. The foreign exchange risk in relation to JPY borrowings are substantially offset by that relating to JPY finance lease receivables. The Group had not felt it appropriate to substantially hedge currency risk through forward exchange contracts upon consideration of currency risks involved and costs of obtaining such cover. The Group continues to monitor the exposures to JPY and will take necessary procedures to reduce the fluctuations in exchange rates at reasonable costs.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations in Hawaii and Japan is managed through borrowings denominated in the relevant foreign currencies, when appropriate. The Group's cash is mainly kept in Hong Kong Dollars to minimize the foreign exchange risk.

Fair values estimation

All financial instruments are carried at amount not materially different from their fair values as at 31 December 2005.

The fair values of interest-bearing loans and borrowings, finance lease receivables and liabilities and convertible preference shares are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

40. SIGNIFICANT POST BALANCE SHEET DATE EVENTS

(a) In February and March 2006, 1,300,000,000 CPS were further converted into ordinary shares. As at the date of this report, all CPS had been converted into ordinary shares.

(b) In February 2006, the Company had issued 200,000 Consolidated Shares at HK$3.965 each to a consultant who assists in negotiating and soliciting the television shopping business in Guangzhou.

(c) In March 2006, Quants had purchased more shares of the Company from Yasuko-No-Denwa, Inc and e-Charge Processing Service Corporation and becomes a substantial shareholder of the Company, details of which was announced in newspapers on 14 March 2006. Before Quants becoming the substantial shareholders, the Group has the following transactions with Quants:-

1. to lease maximum 3,400 digital content download kiosk machines for 5 years, details of which are published in the circulars dated 8 September and 8 December 2005 and approved by the Company's shareholders on 23 September and 23 December 2005 at the Special General Meeting;

2. to rent 70 digital content download kiosk machines for six months ending 24 May 2006;

3. to enjoy unsecured credit facilities from 15 April 2005 to 31 December 2006; and

4. to provide professional services to Quants' subsidiaries in Hong Kong and receive service fee income since July 2004.

Since Quants becomes connected party of the Company as defined in Chapter 14A of the Listing Rules, all the above transactions also become connected transactions.

(d) There was a material outstanding litigation which was commenced by a third party contractor in July 2002, claiming against a bank which had served a third party notice to the Company, for a performance bond amounting to HK$8,600,000 given by the Company to a former subsidiary in order for it to undertake an installation project with the third party contractors. The litigation was mutually agree to settle at HK$4,000,000 and the payment was made in March 2006. As it is adjusted post balance sheet event, a provision for litigation cases for the same amount was made in the current year.

Save as disclosed above and in notes, the Group did not have any significant events which took place subsequent to the balance sheet date.

for the year ended 31 December 2005

41. COMPARATIVE FIGURES

As explained in notes 2 and 3, due to the adoption of a number of new and revised HKFRSs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.