Sun innovation

2007 Annual Report

Sun Innovation Holdings Limited

Incorporated in Bermuda with limited liability

Stock Code : 547

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Mr. Michele Matsuda
(Chairman, CEO & Executive Managing Director)
Mr. Leung To Kwong, Valiant
Mr. Shinji Yamamoto*
Mr. Zhou Ji, Jason#
Professor Chen Tien-yiu, Theodore#
Mr. Wong Tak Shing#

* *Non-executive director*
\# *Independent non-executive directors*

COMPANY SECRETARY

Ms. Chow Fung Ling

AUDITORS

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2001 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

SOLICITORS

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Alexandra House
Chater Road
Hong Kong

Hastings & Co.
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Gloucester Tower
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11 Pedder Street
Central, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

3/F., Chung Nam Building
1 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the annual report of Sun Innovation Holdings Limited and its subsidiaries (together the "Group") for the year ended 31 December 2007.

Year 2007 is a continuation of the last year being full of challenges, transformation and transition. It was a year of strategic importance for the Group as we are committed to bolstering our position in our existing core businesses and also endeavor to open new portals of development for the Group's further expansion in Pacific Rim region, especially in Hong Kong, Macau and the Mainland of China ("the PRC").

In the year 2007, with the strong support from the PRC, the economies of Hong Kong and Macau both maintained their growth momentum with high gross domestic products ("GDP") and sophisticated economic growth. The GDP of Hong Kong recorded US$206.7 billion at a real growth rate of 6.3%. In Macau, the economic growth for 2007 was far higher than 2006 with expenditure-based GDP of approximately US$19.2 billion, showing a substantial increase of 27.3% when compared to the year 2006. The substantial growth in Macau were supported by the continuous increase and improvement in the tourism and gaming facilities which also boosted up the investments in Macau by 23% and escalated the total number of visitors arrivals in the year 2007. The rise of personal income, falling of interest rates and accelerating of inflation also sustained the significant growth of property market in Macau in the year 2007.

The Group has directed its focus on property investment and related businesses in the PRC and Hong Kong since 2006 and continues exploring the business opportunities in Macau, which augurs well as a strategically appropriate move. During this challenging year, the Group competed against various world class corporations and won the sole and exclusive rights for hosting the "Miss International" Pageant in Macau for the coming up to five years. This accomplishment marks the new era of the Group. We expect this achievement will bring new opportunities benefit to the other businesses segments of the Group, especially the Property Investment Segment.

Driven by the robust economies in the Macau and Hong Kong in 2007, the property sector in both regions has also prospered and enabled the Group to take advantage of the blooming property markets. Although the Property Investment Segment is now only contributing 12% of the total revenue of the Group in 2007 with a stable and satisfactory income rise of 20%. In long-term, the Group will continue to strengthen this Segment and will implement various expansion plans to capture potential business opportunities in the Pacific Rim region, especially in Macau and Hong Kong.

In addition, the Group will continue to streamline the other businesses and operations of the Group efficiently, to improve the profitability of all individual business segments and to promote long term value to our valued shareholders and investors.

CHAIRMAN'S STATEMENT

APPRECIATION

At this time I would like to extend my gratitude to our management, staff and contracted consultants for their dedication and unwavering efforts over the year. As always, the Group will remain committed to furthering the success of the Group while seeking to generate greater returns for our valued shareholders and investors.

Michele Matsuda
Chairman

Hong Kong, 15 April 2008

BUSINESS REVIEW AND OUTLOOK

FINANCIAL REVIEW

For the year ended 31 December 2007, the Group recorded turnover (including both continuing and discontinued operations) of HK$45,064,000, a decrease of 66% compared to that of last year (2006: HK$133,235,000). This was mainly attributed to the shift in business focus and the termination of digital kiosk business in Japan. Loss for the year was recorded at approximately HK$64,789,000 (2006: HK$30,243,000) due to a significant increase in various professional fees and staff costs. The Board of Directors does not recommend payment of a final dividend.

BUSINESS REVIEW

2007 is a year of strategic importance for the Group, marking the planning of a new move to expand its presence in Macau. Tapping into the growth potential of the property market in Macau, the Group has successfully signed an agreement in March 2008 to broaden its existing business of the Entertainment Media Segment of the Group. Details of the agreement can be referred to the section of "Post Balance Sheet Events and Future Development".

Property Investment Segment

Generating satisfactory income for the Group in the year under review, the property investment segment recorded an increase in turnover of 20% to HK$5,463,000 (2006: HK$4,552,000), accounting for about 12% of the Group's overall turnover during the year.

All properties of the Group located in Hong Kong were leased out in 2007, which amounted to an average monthly rental income of approximately HK$363,000. In PRC, the Group acquired an equity interest in Million Year Consultants Limited, a company incorporated in the British Virgin Islands which held 20 service apartments in Suzhou, in 2006. 16 out of the 20 apartments were leased out during the year under review, representing an increase of 9 units leased compared to the year 2006. Consequently, the Suzhou property contributed a steady income of HK$1,104,000 in year 2007 (2006: HK$126,000).

Entertainment Media Segment

Due to the termination of the management agreement and lease agreement in March 2007 with the Japanese partner and the lessor with retrospective effect from 1 December 2006, various relevant subsidiaries of the Group engaged in digital kiosk business in Japan were closed in 2007. Turnover of this Segment decreased by 79% to HK$25,519,000 (2006: HK$121,174,000), which represented approximately 57% of the Group's turnover in the year 2007.

Media Shopping Segment

Established in 2006, the Media Shopping Segment provides merchandising and customer fulfillment services, which grew substantially during the year 2007 with total sales surging by 151% to HK$12,107,000 (2006: HK$4,818,000). This Segment thus accounted for 27% of the total turnover of the Group and was the second highest contributor of revenue in 2007. Accordingly, the number of existing customers increased to more than 2,000, including corporate and individual customers.

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW *(continued)*

Media Shopping Segment *(continued)*

Supported by various TV media platforms, as well as the solid foundation of the collaboration, the Group believes the media shopping business will continue to develop and contribute satisfactory returns to the Group in the long term.

Telecommunication Segment

During the year under review, the turnover from this Segment decreased by 23% to HK$1,975,000 (2006: HK$2,562,000). It was attributable to the shrink in customer base. The Group holds the use right for a cable connecting Japan and Hawaii and provides maintenance and support services to its bilateral correspondent business partner in Japan, generating income for the Group in return.

Financial Services Segment

This segment remained dormant during the year under review. The Group will continue to explore potential business opportunities for this Segment in the year 2008.

CAPITAL

In March 2007, the Company issued three redeemable convertible bonds ("CBs") in the amounts of HK$5,400,000, HK$7,200,000 and HK$20,000,000, respectively, with the rights to convert in aggregate 17,000,000 shares of the Company. In June 2007, Ichiya Co. Ltd., one of the CB holders of the Company, converted the CB in the amount of HK$20,000,000 into 10,000,000 shares of the Company, thus becoming a substantial shareholder of the Company which held 6.8% of the issued share capital as at 31 December 2007.

In July 2007, the Company entered into a placing agreement with an independent licensed placing agent to place in aggregate 10,000,000 new placing shares and 5,000,000 unlisted warrants to not less than 6 independent investors.

In November 2007, the Company conducted an open offer (the "Open Offer") and raised approximately HK$59,023,000 by issuing 36,751,018 Offer Shares and 16,905,460 Open Offer Warrants in aggregate to all shareholders of the Company, including Quants Inc., a substantial shareholder who also acted as an underwriter of the Open Offer but excluding one shareholder in United States. Details of the Open Offer are disclosed in the Company's prospectus dated 9 November 2007.

After the completion of the Open Offer, the Company conducted a share subdivision in December 2007. Each of the existing issued and unissued shares of the Company of HK$1.00 each were subdivided into 10 subdivided shares at HK$0.10 each (the "Share Subdivision"). Thereafter, the board lot size changed from 1,000 shares to 10,000 subdivided shares. As a result, the adjusted exercise/conversion prices and the adjusted number of shares to be issued upon exercise/conversion of the outstanding share options, CBs, existing warrants and warrants issued pursuant to the Open Offer were announced accordingly. Details of the arrangement and adjustment are disclosed in the Company's announcement dated 15 January 2008.

POST BALANCE SHEET EVENTS AND FUTURE DEVELOPMENT

In March 2008, the Group, through its subsidiary, S.I. Macau Entertainment Company Limited, entered into a Pageant Hosting Agreement with ING Co., Ltd. and Asia and Pacific Media Limited. Pursuant to which the Group is granted the sole and exclusive rights to host the Miss International Pageant (the "Pageant") in Macau for the coming five years at maximum starting from December 2007. The Group is required to pay an annual fee of US$3,000,000 (approximately HK$23,400,000) for the rights and will retain all revenues generated from the exercise of the rights, including revenue from admission and ticket sales, all licensing fees and media-related revenues. Details of the agreement are disclosed in the Company's announcement dated 7 March 2008.

Besides, as a future development, the Group will also propose to host another pageant, the Miss Macau Pageant, in Macau during the year 2008.

On 26 March 2008, the Company has received a notice from Quants Inc. regarding the surrender of 80,000,000 options granted to Quants Inc. in November 2007 as underwriting commission in respect of the Open Offer and the Company has approved this surrender request.

LIQUIDITY, FINANCE RESOURCES, CHARGES ON GROUP ASSETS AND GEARING RATIO

As at 31 December 2007, the Group had short-term bank loans of HK$938,000 and long-term bank loans of HK$8,399,000. All borrowings were at floating rates ranging from 4.6% to 11.25%. Most of the borrowings were denominated in Hong Kong dollars. The Group bank balances and cash was HK$13,868,000.

As at 31 December 2007, the Group had banking facilities totalling approximately HK$69,921,000. All the banking facilities have been secured by the Group's investment properties with aggregate net book value of approximately HK$164,440,000, as well as the personal guarantee of a director of the Company and a director of a subsidiary up to the extent of HK$390,000. In addition, the Group and certain subsidiaries provided a bank of cross guarantees totalling HK$35,000,000 in respect of a shared banking facility to be used by the Group and these subsidiaries. There was no finance lease payable as the amount was waived upon termination of an agreement with Freparnetworks, Inc. The Group continues to adopt prudent funding and treasury policies.

The Group's gearing ratio improved to 13.6% from 39.0% as at 31 December 2007. The improvement was mainly attributed to the Group's efforts to raise working capital through the issuance of CBs, and issuance of shares in the Open Offer during the year which effectively lowered the Group's gearing ratio. The Group believes the gearing ratio will further decrease in the long run by a well balanced and structured loan portfolio.

BUSINESS REVIEW AND OUTLOOK

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's turnover, expenses, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, United States dollars and Renminbi. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the period under review. Japanese Yen fluctuated in a greater extent. The Japanese Yen based revenue and assets decreased substantially following the termination of the management agreement and lease agreement in March 2007. The Group did not consider it necessary to substantially hedge currency risk through forward exchange contracts upon consideration of currency risks involved and costs of obtaining such cover. During the period under review, the Group did not use financial instruments for hedging purposes.

CONTINGENT LIABILITIES

As at 31 December 2007, the Company has only one outstanding litigation case. This litigation case was commenced by a bank against a bankrupted third party and joint venture, which had served a third party notice to the Company, for outstanding balance of overdraft facilities. After obtaining the advice from a lawyer, the directors are of the opinion that the case has been dormant for a number of years and is remote, and therefore no provision has been made in the financial statements in respect of the alleged claims.

Save as disclosed above, the Group did not have any material contingent liabilities.

EMPLOYEE OF THE GROUP

The Group has adopted a competitive remuneration package for its employees according to their performance. There are also contributions to provident fund schemes, medical subsidies and examination leaves offered to all full-time staff and tax protection scheme may be offered to executive directors.

As at 31 December 2007, the total headcount of the Group was 79.

PROSPECT

Owing to the thriving entertainment and hospitality markets, Macau's economy has flourished in recent years, creating abundant business opportunities.

In view of this, the Group will continue to devise and execute strategies for expanding its presence in Macau's property and media industries in order to maximise the synergy effects towards the Group. Through the hosting of major pageants, namely, the Miss International Pageant and the Miss Macau Pageant, in the city, an effective platform for raising the Group's international profile and extending its network will be created which allows the Group to actively explore various business opportunities for long-term development and benefit our valued shareholders and investors.

By consolidating resources and streamlining operations, the Group will be able to further concentrate its energies and resources on profitable businesses, as well as conduct necessary corporate activities that allow for expansion of the Group in the near future.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and practices with an emphasis on integrity, transparency and independence. The board of directors (the "Board") believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles ("Principles") and code provisions ("Code Provisions") set out in the Code of Corporate Governance Practices ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Company has complied with most of the Code Provisions save for the following:

1. The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to Bye-law 87 (1) of the Company's Bye-laws; and

2. There is no separation of the role of the Chairman and the Chief Executive Officer ("CEO"). Mr. Michele Matsuda currently is appointed as the Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and CEO to Mr. Michele Matsuda provides the Group with strong and consistent leadership and allows for more effective planning and prospective development of the Group.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the CG Code. The key corporate governance principles and practices of the Company are summarised in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transaction.

To the specific enquiry by the Company, all directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2007.

CORPORATE GOVERNANCE REPORT

THE BOARD

Responsibilities

The Board is responsible for overseeing the overall development of the Company's businesses with the objective of enhancing shareholders' value including setting and approving the Company's strategic implementation, reviewing substantial investments and the Group's financial performance half-yearly while delegating the day-to-day operations of the Company to the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

All Directors have full and timely access to all relevant information as well as the advice and service of the Company Secretary to ensure Board procedures and all applicable rules and regulations are followed.

Composition

The Board has in its composition a balance of skills and experience necessary for independent decision making and fulfilling its business needs.

As at 31 December 2007, the Board comprised six members, including two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Biographical details of the Directors are set out on pages 16 to 17.

During the year ended 31 December 2007, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The Bye-laws of the Company requires that one-third of the Directors (including executive and non-executive directors) shall retire each year. The Directors to retire each year shall be those appointed by the Board during the year and those who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

THE BOARD *(continued)*

Board Meetings

Five Board meetings were held during the year ended 31 December 2007 and details of the Directors' attendance are set out below:-

Directors	Attendance/Number of Meetings
Executive Directors	
Mr. Michele Matsuda *(Chairman)*	5/5
Mr. Leung To Kwong, Valiant	5/5
Mr. Cheung Chi Fai, Frank *(resigned on 28 November 2007)*	5/5
Mr. Yiu Ying Fai *(resigned on 25 July 2007)*	3/5
Non-executive Director	
Mr. Shinji Yamamoto *(joined on 16 February 2007)*	1/5
Independent Non-executive Directors	
Mr. Zhou Ji, Jason	4/5
Professor Chen Tien-yiu, Theodore	5/5
Mr. Wong Tak Shing	5/5

DELEGATION BY THE BOARD

The Directors are aware of their collective and individual responsibilities to its shareholders for the well-being and success of the Company.

Therefore, the Board has established four committees, namely, the Executive Committee, the Remuneration Committee, the Nomination Committee and the Audit Committee, to oversee corresponding aspects of the Company's affairs. All Board committees of the Company have defined written terms of reference.

EXECUTIVE COMMITTEE

The Executive Committee has been established since September 2001 to assist the Board in discharging its duties and dealing with routine business of the Company and enhance the effectiveness and efficiency of day-to-day operation of the Company. The members are mainly the Executive Directors of the Company. There is no minimum meeting requirement and this Committee shall meet as and when necessary for proper discharge of its duties. There are 16 committee meetings held during the year 2007.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee is established in 2006 pursuant to the recommended best practices of the CG Code. During the year, Mr. Yiu Ying Fai resigned as the Chairman of this Committee on 25 July 2007 and Mr. Cheung Chi Fai, Frank was appointed on the same date to replace Mr. Yiu. On 28 November 2007, Mr. Cheung resigned as the Chairman of this Committee and Mr. Michele Matsuda was appointed on the same day to fill up the vacancy arose after the resignation of Mr. Cheung. This Committee currently consists of the Chairman of the Board, who acts as the Chairman of this Committee, and all Independent Non-executive Directors.

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors on a regular basis and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of Independent Non-executive Directors and making recommendations to the Board of Directors on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors. The recommendations of the Nomination Committee are then put forward for consideration and adoption, where appropriate, by the Board.

The Nomination Committee shall meet at least once per year according to its Terms of Reference. A Nomination Committee meeting was held during the year under review, details of attendance are set out below:

Nomination Committee Members	Attendance/Number of Meeting
Mr. Michele Matsuda *(Chairman)* *(appointed on 28 November 2007)*	0/1
Mr. Zhou Ji, Jason	1/1
Professor Chen Tien-yiu, Theodore	1/1
Mr. Wong Tak Shing	1/1
Mr. Cheung Chi Fai, Frank *(appointed on 25 July 2007 and resigned on 28 November 2007)*	0/1
Mr. Yiu Ying Fai *(resigned on 25 July 2007)*	1/1

The Board and the Nomination Committee take into factors of the caliber, relevant experience and integrity as the criteria selecting candidates for directorship.

During the year under review, the Nomination Committee assisted the Group to review the structure, size and composition of the Board of Directors of the Company and to assess the independence of all Independent Non-executive Directors.

REMUNERATION COMMITTEE

During the year, Mr. Cheung Chi Fai, Frank was appointed as a member of this Committee to fill up the vacancy arose after the resignation of Mr. Kwok Ka Yiu on 13 March 2007. Thereafter, on 28 November 2007, Mr. Cheung resigned and Mr. Michele Matsuda was appointed as a member of this Committee on the same date. This Committee currently consists of all Independent Non-executive Directors, Mr. Michele Matsuda, the Chairman and CEO of the Company, and Mr. Leung To Kwong, Valiant, the Executive Director of the Company. Mr. Zhou Ji, Jason is the Chairman of this Committee.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company. When determining remuneration packages of certain executive directors and senior management of the Company, the Remuneration Committee takes into consideration factors such as market forces and remuneration packages of executive directors of similar companies in comparable industries both in Hong Kong and overseas.

There was a meeting held during the year under review, details of attendance are set out below:

Remuneration Committee Members	Attendance/Number of Meeting
Mr. Zhou Ji, Jason *(Chairman)*	1/1
Professor Chen Tien-yiu, Theodore	0/1
Mr. Wong Tak Shing	1/1
Mr. Michele Matsuda *(appointed on 28 November 2007)*	0/1
Mr. Leung To Kwong, Valiant	1/1
Mr. Cheung Chi Fai, Frank *(appointed on 13 March 2007 and resigned on 28 November 2007)*	1/1
Mr. Kwok Ka Yiu *(resigned on 13 March 2007)*	0/1

During the year under review, the Remuneration Committee had reviewed and approved the remuneration package of the Chairman and CEO.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors with Mr. Zhou Ji, Jason as the Chairman of this Committee.

The main duties of the Audit Committee are to consider the appointment and resignation of the external auditors and to discuss with the external auditors the nature and scope of the audit. It is also responsible for reviewing the half-yearly and annual financial statements before submission to the Board and the Company's statement on internal control systems and the internal audit programme. It also needs to discuss problems and reservations arising from the interim and final audits and to consider the major findings of internal investigations and management's response.

There were two meetings held during the year under review, details of attendance are set out below:

Audit Committee Members	**Attendance/Number of Meetings**
Mr. Zhou Ji, Jason *(Chairman)*	2/2
Professor Chen Tien-yiu, Theodore	1/2
Mr. Wong Tak Shing	2/2

During the year under review, the Audit Committee had considered, reviewed and discussed any areas of concerns during the audits and the internal control procedures and corporate governance of the Group and approved the annual audited financial statements and the interim financial statements respectively.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Group for audit and non-audit services for the year ended 31 December 2007 amounted to HK$920,000 and HK$236,000 respectively.

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) property investment business, (ii) entertainment media business, (iii) media shopping business, (iv) telecommunication business and (v) financial services business.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 27.

RESERVES

In view of the losses maintained by the Company, the directors are of the view that the Company had no reserves available for distribution as at 31 December 2007.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group are set out in note 14 to the financial statements.

Investment properties were valued at their open market value at 31 December 2007 by DTZ Debenham Tie Leung Limited, an independent professional valuer. This valuation gave rise to net fair value losses of approximately HK$182,000 which has been debited to the consolidated income statement.

SHARE CAPITAL

Details of movements in the Company's issued share capital and options during the year and outstanding as at 31 December 2007 are set out in notes 23 and 26 to the financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Michele Matsuda	
Leung To Kwong, Valiant	
Cheung Chi Fai, Frank	(resigned on 28 November 2007)
Yiu Ying Fai	(resigned on 25 July 2007)

Non-executive Director:

Shinji Yamamoto	(appointed on 16 February 2007)

Independent Non-executive Directors:

Zhou Ji, Jason
Chen Tien-yiu, Theodore
Wong Tak Shing

In accordance with clause 87(1) of the Company's Bye-laws, Messrs. Leung To Kwong, Valiant and Wong Tak Shing will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors, including those directors who are proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company, which is not determinable within one year without payment of compensation, other than statutory compensation.

The terms of office for the Non-executive Director and each Independent Non-executive Director are contracted for 2 years.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors and senior management are as shown below:

Executive Directors

Michele Matsuda, aged 43, was appointed as Chairman, Chief Executive Officer and Executive Managing Director on 14 March 2003. He has more than 15 years experience in the technology sector and has expertise in technical solutions, technical management and business operational management. Mr. Matsuda has been appointed as a director of Technology Administration Division of Nomura Securities International, Inc from 1986 to 1996. He is one of the founders and a director of Trans Pacific Telecom Group, which has various telecommunication licences in UK, USA, Japan and Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

Executive Directors *(continued)*

Leung To Kwong, Valiant, aged 45, was appointed as Executive Director on 14 March 2003. Mr. Leung graduated from the City University of New York with a Bachelor's degree in Electrical Engineering in 1986 and a master degree in business administration in 1988. He has extensive experience in telecommunication industry for more than 14 years. Mr. Leung has been appointed as senior management positions in various international companies, ranging from international network service provider, equipment vendor and Telecom Type 1 Carrier.

Non-executive Director

Shinji Yamamoto, aged 26, was appointed as Non-executive Director on 16 February 2007. Mr. Yamamoto graduated from the Law Department of the Teikyo University in Japan since 2004. He had been appointed as a director of Ichiya Co., Ltd. ("Ichiya"), a company incorporated in Japan with limited liability and its shares are listed on the Jasdaq Securities Exchange with stock code no. 9968, since 2004. Currently, he is the President and Representative Director of Ichiya, which is also a substantial shareholder of the Company.

Independent Non-executive Directors

Zhou Ji, Jason, aged 44, was appointed as Independent Non-executive Director on 16 May 2002. Mr. Zhou studied at the Medical School of Beijing University for the period from 1982 to 1985. He holds a Bachelor's degree in Electrical Engineering from Washington State University and a Master Degree in Biomedical Engineering from Drexel University, Philidelphia, USA. In addition to Mr. Zhou's expertise on electrical and biomedical engineering, he also has extensive experience in finance and assets management field since 1994. Mr. Zhou has acted as senior management of various finance companies in USA, Hong Kong and PRC. He now acts as the General Manager of the Investment Banking Division of China Galaxy Securities Company in Beijing, PRC.

Chen Tien-yiu, Theodore, aged 61, was appointed as Independent Non-executive Director on 24 September 2004. Professor Chen holds a master degree in business administration from The University of British Columbia and is an experienced and qualified accountant. He is a Professor and the Head of the Department of Accounting of Hong Kong Shue Yan University. He is also a member of Advisory Committee on Human Resources Development in the Financial Services Sector, Financial Services and the Treasury Bureau of Hong Kong and the Chairman of the Board of Assessors of Youde Memorial Scholarships in Hong Kong. Professor Chen has over 15 years of experience in teaching and research in the academic field as well as over 20 years in management of various significant listed companies and government departments in Canada.

Wong Tak Shing, aged 45, was appointed as Independent Non-executive Director on 1 April 2006. Mr. Wong holds a Bachelor's degree in Social Science (Business Economics and Accounting) from University of Southampton, United Kingdom in 1985 and a Postgraduate Diploma in Financial Management from University of New England, Australia in 1988. He is an associate member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in finance, accounting, corporate finance, personnel and administration for operations in Hong Kong, the People's Republic of China and Taiwan, including 11 years of experience in publication and television industry in Hong Kong.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company adopted its share option scheme on 16 May 2002 ("the 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.

Details of the share options outstanding as at 31 December 2007 which have been granted under the Option Scheme are as follows:

	Subscription price/share (before adjustment) (HK$)	Subscription price/share adjusted by Open Offer and Share Subdivision* (HK$)	Exercisable Period	Options Grant Date	No. of Share Options ('000) No. of Options Granted	No. of Options held at 1 January 2007	No. of Options granted during the year	No. of Options exercised during the year	No. of Options lapsed during the year	No. of Options outstanding at 31 December 2007 (adjusted by Open Offer and Share Subdivision)*
Directors										
Michele Matsuda	5.780	0.549	25/05/2005 – 24/05/2015	25/05/2005	2,000	2,000	–	–	–	21,075
Yiu Ying Fai [#1]	3.255	0.309	26/05/2006 – 25/05/2008	26/05/2006	100	100	–	–	–	1,054
	1.900	0.180	10/01/2007 – 24/07/2008	10/01/2007	–	–	300	–	–	3,161
Leung To Kwong, Valiant	1.900	0.180	10/01/2007 – 09/01/2010	10/01/2007	–	–	300	–	–	3,161
Cheung Chi Fai, Frank[#2]	1.900	0.180	10/01/2007 – 27/11/2008	10/01/2007	–	–	300	–	–	3,161
Daijiro Nishihama [#3]	6.500	N/A	26/01/2005 – 25/01/2007	26/01/2005	300	300	–	–	(300)	–

SHARE OPTION SCHEME *(continued)*

	Subscription price/share (before adjustment) (HK$)	Subscription price/share adjusted by Open Offer and Share Subdivision* (HK$)	Exercisable Period	Options Grant Date	No. of Share Options ('000) No. of Options Granted	No. of Options held at 1 January 2007	No. of Options granted during the year	No. of Options exercised during the year	No. of Options lapsed during the year	No. of Options outstanding at 31 December 2007 (adjusted by Open Offer and Share Subdivision)*
Continuous Contract employees (1)	6.900	N/A	05/01/2005 – 04/01/2007	05/01/2005	40	40	–	–	(40)	–
Continuous Contract employees (2)	6.500	N/A	26/01/2005 – 25/01/2007	26/01/2005	55	40	–	–	(40)	–
Continuous Contract employees (3)	1.900	0.180	10/01/2007 – 09/01/2009	10/01/2007	340	–	340	(80)	(80)	1,897
Others (1)	6.900	N/A	05/01/2005 – 04/01/2007	05/01/2005	20	20	–	–	(20)	–
Others (2)	3.965	0.376	19/01/2006 – 18/01/2008	19/01/2006	200	200	–	–	–	2,108
Quants Inc.	2.15	0.215	30/11/2007 – 30/5/2009	30/11/2007	8,000	–	8,000	–	–	80,000

* Pursuant to the Share Option Scheme and in compliance with the provision of Rule 17.03(13) of the Listing Rules and the supplementary guidance set out by the Stock Exchange dated 5 September 2005, the auditors of the Company have confirmed in writing that the exercise prices and the number of Shares to be issued upon exercise of Share Options have been adjusted as a result of the open offer conducted in November 2007 ("Open Offer") and the share subdivision conducted in December 2007 ("Share Subdivision").

#1 Mr. Yiu resigned as director of the Company on 25 July 2007.

#2 Mr. Cheung resigned as director of the Company on 28 November 2007.

#3 Mr. Nishihama resigned as director of the Company on 21 March 2006.

Particulars of the Company's Share Option Scheme are set out in note 26 to the financial statements. The average closing price of the Company's shares immediately before the date on which the share options were exercised was HK$2.528.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 December 2007, the interests and short positions of the directors and chief executive of the Company and their associates in the shares and underlying shares of the Company as recorded in the register to be kept under Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(1) Ordinary shares of HK$0.10 each of the Company

Name of director	Capacity	Number of shares	Percentage of the issued ordinary share capital of the Company
Michele Matsuda	Held by controlled corporation *(Note 1)*	80,570,000	5.48%
Leung To Kwong, Valiant	Beneficial owner *(Note 2)*	1,730,000	0.12%
Cheung Chi Fai, Frank	Beneficial owner *(Note 4)*	1,250,000	0.09%

(2) Share options

Name of director	Capacity	Number of options held	Number of underlying ordinary shares
Michele Matsuda	Beneficial owner *(Note 1)*	21,075,270	21,075,270
Leung To Kwong, Valiant	Beneficial owner *(Note 2)*	3,161,290	3,161,290
Yiu Ying Fai	Beneficial owner *(Note 3)*	4,215,050	4,215,050
Cheung Chi Fai, Frank	Beneficial owner *(Note 4)*	3,161,290	3,161,290

Notes:

(1) Mr. Michele Matsuda held 80,560,000 shares of the Company through e-Compact Limited, a company wholly owned by Anglo Japan Enterprises Limited and beneficially owned by him. The remaining 10,000 shares are beneficially held by himself. He also held 21,075,270 options (adjusted after the Open Offer and the Share Subdivision of the Company in November and December 2007 respectively) in his own name.

(2) Mr. Leung To Kwong, Valiant held 1,730,000 shares of the Company and 3,161,290 options (adjusted after the Open Offer and the Share Subdivision of the Company in November and December 2007 respectively) in his own name.

(3) Mr. Yiu Ying Fai held 4,215,050 options (adjusted after the Open Offer and the Share Subdivision of the Company in November and December 2007 respectively) and he resigned as Director of the Company on 25 July 2007.

(4) Mr. Cheung Chi Fai, Frank held 1,250,000 shares of the Company and 3,161,290 options (adjusted after the Open Offer and the Share Subdivision of the Company in November and December 2007 respectively) in his own name. Mr. Cheung resigned as Director of the Company on 28 November 2007.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(continued)*

Certain Executive Directors of the Company have been granted share options under the Company's share option schemes (details are set out under the section of Share Option Schemes above). These constitute interests in underlying shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2007, no interests and short position in the shares or underlying shares were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or any of their respective associates which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTION

Significant related party transactions entered into by the Group during the year ended 31 December 2007, which do not constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, are disclosed in notes 11, 16, 21, 22, 26, 27, 28, 29, 32 and 35 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of director and chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

(a) Ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares	Percentage of the issued ordinary share capital of the Company
Quants Inc.	Beneficial owner *(Note 1)*	560,395,180	38.12%
Ichiya Co., Ltd.	Beneficial owner *(Note 2)*	100,000,000	6.80%
Michele Matsuda	Beneficial owner & Held by controlled corporation *(Note 3)*	80,570,000	5.48%

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS *(continued)*

(b) **Warrants**

Name of Shareholder	Capacity	Number of Warrants	Number of underlying ordinary shares
Quants Inc.	Beneficial owner *(Note 1)*	164,076,800	164,076,800

(c) **Share options**

Name of shareholder	Capacity	Number of options held	Number of underlying ordinary shares
Quants Inc.	Beneficial owner *(Note 1)*	80,000,000	80,000,000
Michele Matsuda	Beneficial owner *(Note 3)*	21,075,270	21,075,270

Notes:

1. Quants Inc. ("Quants") had entered into an underwriting agreement with the Company for underwriting the Open Offer and was allotted 33,292,018 shares of HK$1.00 each, 16,407,680 warrants at the exercise price of HK$2.15 per share and granted 8,000,000 share options at the exercise price of HK$2.15 per share on 30 November 2007 respectively. After the Share Subdivision of the Company conducted in December 2007, the number of shares, warrants and share options were adjusted. Quants surrendered 80,000,000 share options on 26 March 2008. As a result, Quants held 560,395,018 shares of HK$0.10 each and 164,076,800 warrants of the Company as at the date of this annual report.

2. Ichiya Co., Ltd. ("Ichiya") entered into a conditional subscription agreement with the Company to subscribe for the convertible bond in the aggregate amount of HK$20 million on 16 February 2007. During the year, the convertible bond has been exercised and converted into 10,000,000 shares of the Company which was further adjusted to 100,000,000 shares of HK$0.10 each as a result of the Share Subdivision.

3. Mr. Michele Matsuda originally held 2,000,000 options, 1,000 shares in his own name and 8,056,000 shares through e-Compact Limited, a company wholly owned by Anglo Japan Enterprises Limited and beneficially owned by him. After the Open Offer and the Share Subdivision of the Company conducted in November and December 2007 respectively, the number of options and shares held in his own name and the shares held through e-Compact Limited were adjusted to 21,075,270 options, 10,000 and 80,560,000 shares respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	33%
– five largest suppliers combined	57%
Sales	
– the largest customer	13%
– five largest customers combined	49%

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out in pages 9 to 14 of the annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There is no information required to be disclosed pursuant to the Listing Rules.

SIGNIFICANT NON-ADJUSTING POST BALANCE SHEET EVENTS

Details of significant non-adjusting post balance sheet events are set out in note 38 to the financial statements.

DIRECTORS' REPORT

AUDITOR

On 9 October 2007, Horwath Hong Kong CPA Limited changed its name to Shu Lun Pan Horwath Hong Kong CPA Limited.

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited who retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint Shu Lun Pan Horwath Hong Kong CPA Limited as auditor of the Company.

On behalf of the Board

Michele Matsuda
Chairman

Hong Kong, 15 April 2008

INDEPENDENT AUDITOR'S REPORT

Shu Lun Pan Horwath Hong Kong CPA Limited
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TO THE SHAREHOLDERS OF SUN INNOVATION HOLDINGS LIMITED
(known as "奧亮集團有限公司" for identification purpose)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sun Innovation Holdings Limited (the "Company") and its subsidiaries (thereafter referred to as the "Group") set out on pages 27 to 96, which comprise the consolidated and Company balance sheets as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants
15 April 2008
Wei Min, Eileen Chan
Practising Certificate number P03036

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Continuing operations			
Turnover	5	40,155	35,330
Cost of sales		(22,609)	(18,490)
Gross profit		17,546	16,840
Other revenue and gains	6	4,268	5,158
Fair value (losses) gains on investment properties, net	14	(182)	1,037
Selling and distribution expenses		(257)	(1,535)
Administrative expenses and other net operating expenses		(57,842)	(37,781)
Provision for litigation		–	(3,000)
Allowance for doubtful debts and write-off of irrecoverable trade and other receivables		(9,175)	(414)
Impairment loss of intangible assets and property, plant and equipment		–	(1,669)
Finance costs	8	(4,730)	(2,261)
Loss before taxation		(50,372)	(23,625)
Taxation	10	(330)	(4,305)
Loss for the year from continuing operations		(50,702)	(27,930)
Discontinued operation			
Loss for the year from discontinued operation	11	(14,087)	(2,313)
Loss for the year		(64,789)	(30,243)
Attributable to:			
Equity holders of the Company	7	(64,872)	(30,043)
Minority interests		83	(200)
		(64,789)	(30,243)
Distribution of contributed surplus paid to equity holders of the Company	24	–	9,018
Loss per share:	12		
From continuing and discontinued operations			(Restated)
– Basic		HK$(0.060)	HK$(0.033)
– Diluted		N/A	N/A
From continuing operations			
– Basic		HK$(0.047)	HK$(0.030)
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment	*13*	4,252	5,834
Investment properties	*14*	164,440	163,001
Intangible assets	*15*	790	14,768
Finance lease receivables	*16*	–	250,725
		169,482	434,328
Current Assets			
Inventories – goods for resale		37	1,816
Finance lease receivables	*16*	–	71,944
Trade receivables, other receivables and prepayments	*18*	14,259	23,440
Bank balances and cash	*19*	13,868	12,417
		28,164	109,617
Current Liabilities			
Trade payables, other payables and accruals	*20*	18,022	24,710
Payable for acquisition of a subsidiary	*20*	–	15,878
Bank loans – secured	*21*	938	30,769
Obligations under finance leases	*22*	–	52,935
Convertible bonds	*25*	11,213	–
Tax payable		367	574
		30,540	124,866
Net Current Liabilities		(2,376)	(15,249)
Total Assets less Current Liabilities		167,106	419,079
Non-current Liabilities			
Bank loans – secured	*21*	8,399	15,497
Obligations under finance leases	*22*	–	280,017
Deferred tax liabilities	*10*	5,856	4,996
		14,255	300,510
Net Assets		152,851	118,569

CONSOLIDATED BALANCE SHEET

at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
EQUITY			
Share capital	*23*	**147,004**	90,173
Reserves		**3,804**	28,392
Equity attributable to equity holders of the Company		**150,808**	118,565
Minority interests		**2,043**	4
Total equity		**152,851**	118,569

The financial statements were approved and authorised for issue by the Board of Directors on 15 April 2008 and are signed on its behalf by:

Michele Matsuda
DIRECTOR

Leung To Kwong, Valiant
DIRECTOR

BALANCE SHEET

at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment	*13*	9	17
Interests in subsidiaries	*17*	156,230	142,619
		156,239	142,636
Current Assets			
Other receivables and prepayments	*18*	891	531
Tax recoverable		37	–
Bank balances and cash	*19*	8,999	325
		9,927	856
Current Liabilities			
Other payables and accruals	*20*	3,052	2,657
Bank loans – secured	*21*	–	29,000
Convertible bonds	*25*	11,213	–
		14,265	31,657
Net Current Liabilities		(4,338)	(30,801)
Total Assets less Current Liabilities		151,901	111,835
Non-current Liabilities			
Deferred tax liabilities	*10*	385	–
Net Assets		151,516	111,835
EQUITY			
Share capital	*23*	147,004	90,173
Reserves	*24*	4,512	21,662
Total equity		151,516	111,835

The financial statements were approved and authorised for issue by the Board of Directors on 15 April 2008 and are signed on its behalf by:

Michele Matsuda	**Leung To Kwong, Valiant**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

		Attributable to equity holders of the Company										
	Notes	Share capital HK$'000	Share premium HK$'000	Convertible preference shares reserve HK$'000	Land and buildings revaluation reserve HK$'000	Share-based payments reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2006		76,955	–	9,792	7,355	7,994	174,162	(983)	(140,415)	134,860	204	135,064
Net gain recognised directly in equity –												
Exchange differences		–	–	–	–	–	–	211	–	211	–	211
Loss for the year		–	–	–	–	–	–	–	(30,043)	(30,043)	(200)	(30,243)
Total recognised income and expenses for the year		–	–	–	–	–	–	211	(30,043)	(29,832)	(200)	(30,032)
Conversion of convertible preference shares		13,000	18,329	(9,792)	–	–	–	–	–	21,537	–	21,537
Issue of shares on exercise of share options		218	218	–	–	–	–	–	–	436	–	436
Distribution of contributed surplus	*24*	–	–	–	–	–	(9,018)	–	–	(9,018)	–	(9,018)
Recognition of equity-settled share-based payments	*26*	–	–	–	–	442	–	–	–	442	–	442
Release upon disposal of a subsidiary	*28*	–	–	–	–	–	–	140	–	140	–	140
At 31 December 2006		90,173	18,547	–	7,355	8,436	165,144	(632)	(170,458)	118,565	4	118,569

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

		Attributable to equity holders of the Company											
	Notes	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Convertible bonds – equity component HK$'000	Land and buildings revaluation reserve HK$'000	Share-based payments reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007		90,173	18,547	–	–	7,355	8,436	165,144	(632)	(170,458)	118,565	4	118,569
Net loss recognised directly in equity – Exchange differences		–	–	–	–	–	–	–	(355)	–	(355)	–	(355)
Loss for the year		–	–	–	–	–	–	–	–	(64,872)	(64,872)	83	(64,789)
Total recognised income and expenses for the year		–	–	–	–	–	–	–	(355)	(64,872)	(65,227)	83	(65,144)
Issue of convertible bonds	25	–	–	–	4,826	–	–	–	–	–	4,826	–	4,826
Issue of shares upon conversion of convertible bonds	23(c)(ii)	10,000	10,000	–	(1,494)	–	–	–	–	–	18,506	–	18,506
Issue of shares on exercise of share options	23(c)(i)	80	122	–	–	–	(50)	–	–	–	152	–	152
Release upon lapse of share options		–	–	–	–	–	(4,858)	–	–	4,858	–	–	–
Issue of shares and warrants in placement	23(c)(iii)	10,000	4,200	500	–	–	–	–	–	–	14,700	–	14,700
Issue of shares and warrants in open offer	23(c)(iv)	36,751	17,139	1,691	–	–	3,442	–	–	–	59,023	–	59,023
Transfer of contributed surplus to accumulated losses		–	–	–	–	–	–	(165,144)	–	165,144	–	–	–
Recognition of equity-settled share-based payments	26	–	–	–	–	–	963	–	–	–	963	–	963
Deferred tax arising from equity component of convertible bonds	10	–	–	–	(705)	–	–	–	–	–	(705)	–	(705)
Release upon disposal of subsidiaries	28	–	–	–	–	–	–	–	5	–	5	–	5
Deemed disposal of a subsidiary		–	–	–	–	–	–	–	–	–	–	1,956	1,956
At 31 December 2007		147,004	50,008	2,191	2,627	7,355	7,933	–	(982)	(65,328)	150,808	2,043	152,851

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Operating activities			
Loss before taxation:			
From continuing operations		(50,372)	(23,625)
From discontinued operation		(13,876)	(1,797)
Adjustments for:			
Allowance for doubtful finance lease receivables		–	1,490
Allowance for doubtful debts and write-off of irrecoverable trade and other receivables		9,175	414
Provision for litigation		–	3,000
Provision for obsolete inventories		165	–
Amortisation of intangible assets		395	4,850
Depreciation		2,095	2,741
Loss on disposal of intangible assets		–	456
Loss on disposal of property, plant and equipment		599	942
Gain on disposal of subsidiaries	28	(9)	(3,349)
Gain on deemed disposal of a subsidiary		(3,007)	–
Net exchange (gains) losses		(1,676)	282
Fair value losses (gains) on investment properties, net		182	(1,037)
Impairment loss of property, plant and equipment		–	157
Impairment loss of intangible assets		–	1,820
Impairment loss of finance lease receivables		–	6,475
Equity-settled share–based payments		963	442
Interest income		(172)	(178)
Finance costs		8,481	17,883
Operating cash flows before working capital changes		(47,057)	10,966
Decrease (increase) in inventories		1,614	(1,816)
Decrease (increase) in trade receivables, other receivables and prepayments		2,109	(5,448)
(Decrease) increase in trade payables, other payables and accruals		(796)	5,668
Payment for litigations		–	(7,000)
Cash (used in) generated from operations		(44,130)	2,370
Interest paid		(6,536)	(17,564)
Hong Kong profits tax paid		(37)	(2)
Overseas tax paid		(618)	–
Net cash used in operating activities		(51,321)	(15,196)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Investing activities			
Interest received		172	178
Proceeds from disposal of property, plant and equipment		16	–
Payment of consideration for acquisition of a subsidiary		(15,878)	–
Acquisition of a subsidiary	*27*	–	(3,870)
Disposal and liquidation of subsidiaries	*28*	–	(617)
Purchase of property, plant and equipment		(1,084)	(4,747)
Addition to investment properties		–	(558)
Purchase of intangible assets		–	(308)
Decrease in pledged bank deposits		–	8,692
Receipt of finance lease receivables		–	28,961
Net cash (used in) generated from investing activities		(16,774)	27,731
Financing activities			
New bank borrowings		12,530	28,000
Issue of shares on exercise of share options		152	436
Repayment of bank borrowings		(49,459)	(20,671)
Repayment of obligations under finance leases		–	(25,783)
Distribution of contributed surplus		–	(9,018)
Proceeds from issue of shares and warrants in placement		14,700	–
Proceeds from issue of shares and warrants in open offer		59,023	–
Net proceeds from issuance of convertible bonds		32,600	–
Net cash generated from (used in) financing activities		69,546	(27,036)
Net increase (decrease) in cash and cash equivalents		1,451	(14,501)
Cash and cash equivalents at the beginning of the year		12,417	26,918
Cash and cash equivalents at the end of the year		13,868	12,417
Represented by:			
Bank balances and cash		13,868	12,417

1. ORGANISATION AND OPERATIONS

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") and has its principal place of business at 3/F, Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of property investment, entertainment media, media shopping, telecommunication and financial services, details of which are set out in note 17 to the financial statements.

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

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendment "Capital Disclosures" has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 2 Amendment	Share-based payment – vesting conditions and cancellation	1 January 2009
HKFRS 3(Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions	1 March 2007
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of their initial application.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of preparation of financial statements

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and 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 (the "Listing Rules").

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

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 and 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 are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets of consolidated 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 interests 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.

Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date 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 are recognised at their fair values at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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 the consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of discounts.

(i) Rental income is recognised in accordance with the Group's accounting policy for leases.

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

(iii) Sales of goods are recognised when goods are delivered, title has passed and collectibility of the related receivable is reasonably assured.

(iv) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

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 overhaul costs, is charged to the consolidated income statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is charged so as 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. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

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, are stated at their fair values at the balance sheet date. Gains or losses arising from changes in fair value of investment properties are included in the consolidated income statement for the period in which they arise.

Intangible assets

Intangible assets are measured initially at purchase cost less accumulated amortisation and any accumulated impairment losses and are amortised on a straight-line basis over their estimated useful lives, as follows:

Cable use rights	14 years
Website software	5 years
Licensing rights	5 years

The estimated useful lives and amortisation rate are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of assets

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 cash generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

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 reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

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 loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

Subsidiary

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. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's balance sheet at cost less any accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchases computed using the weighted average method. Net realisable value is determined by reference to the anticipated sales proceeds of items sold in the ordinary course of business less estimated selling expenses after the balance sheet date or to management estimates based on prevailing market conditions.

Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. During the year, the Group's financial assets are classified as loans and receivables, which are subsequently accounted for as follows.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, and amounts due from customers for contract work) are carried at amortised cost using the effective interest method, less any identified impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

ii) Impairment

Financial assets are assessed for indicators of impairment at each balance sheet date and are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or
– default or delinquency in interest or principal payments; or
– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

ii) Impairment *(continued)*

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables and finance lease receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables and finance lease receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity issued by the Group

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

ii) Compound instruments

Convertible bonds that can be converted into equity at the options of the holders are accounted for as compound financial instruments. The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

iii) Financial liabilities

The Group's financial liabilities, including bank loans are classified as other financial liabilities and are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method as mentioned above, with interest expense recognised on an effective yield basis.

iv) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from 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. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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 profits will be available to allow all or part of the asset to be recovered.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases are classified as finance leases whenever 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 the consolidated income statement.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Translation of 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.

In preparing the financial statements of the individual entities, 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 the consolidated income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement 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 fluctuation reserve. Such translation differences are recognised in the consolidated income statement in the period in which the foreign operation or the underlying assets and liabilities are disposed of.

Employees' benefits

Short term benefits

Salaries, annual bonuses and paid annual leaves 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employees' benefits *(continued)*

Share-based payments

For equity-settled share-based payments to certain directors, employees and other parties, they 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 share-based payment 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 share-based payment reserve until 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 the 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.

Discontinued operation

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments

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

Impairment of assets

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 affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset or a CGU can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or CGU, 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.

Deferred tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2007 was HK$5,547,000 (2006: HK$6,552,000). The amount of unrecognised tax losses at 31 December 2007 was HK$64,696,000 (2006: HK$30,598,000). Further details are set out in note 10 to the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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 consolidated income statement and share-based payment reserve.

5. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover for the year, for both continuing and discontinued operations, is as follows:

	2007 HK$'000	2006 HK$'000
Sale of goods	**12,107**	4,818
Rendering of services	**27,494**	123,865
Rental income	**5,463**	4,552
	45,064	133,235
Continuing operations	**40,155**	35,330
Discontinued operation *(note 11)*	**4,909**	97,905
	45,064	133,235

Business segments

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

(i) property investment;

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

(iii) media shopping;

(iv) telecommunication; and

(v) financial services.

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

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	For the year ended 31 December 2007						
	Property investment HK$'000	Entertainment media HK$'000	Media shopping HK$'000	Telecom-munication HK$'000	Financial services HK$'000	Elimination HK$'000	Total HK$'000
Turnover							
External sales	5,463	25,519	12,107	1,975	–	–	45,064
Inter-segment sales	–	200	–	–	–	(200)	–
Total	5,463	25,719	12,107	1,975	–	(200)	45,064
Segment results	(6,990)	(8,168)	(4,077)	(53)	(852)		(20,140)
Other revenue and gains							4,352
Unallocated corporate expenses							(30,804)
Allowance for doubtful debts and write-off of irrecoverable trade and other receivables		(813)	(8,362)				(9,175)
Finance costs							(8,481)
Loss before taxation							(64,248)
Taxation							(541)
Loss for the year							(64,789)

NOTES TO THE FINANCIAL STATEMENTS

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	As at 31 December 2007					
	Property investment HK$'000	Entertainment media HK$'000	Media shopping HK$'000	Telecom-munication HK$'000	Financial services HK$'000	Total HK$'000
As at 31 December 2007						
Assets						
Segment assets	166,335	15,763	1,961	1,154	31	185,244
Unallocated assets						12,402
Total assets						197,646
Liabilities						
Segment liabilities	16,652	4,650	8,413	–	179	29,894
Unallocated liabilities						14,901
Total liabilities						44,795
For the year ended 31 December 2007						
Other information						
Additions to property, plant and equipment	293	337	90	–	–	720
Unallocated						364
						1,084
Segment depreciation	34	1,250	230	72	–	1,586
Unallocated depreciation						509
						2,095
Amortisation of intangible assets	–	–	–	395	–	395
Fair value losses on investment properties, net	(182)	–	–	–	–	(182)
Allowance for doubtful debts and write-off of irrecoverable trade and other receivables	–	813	8,362	–	–	9,175
Equity-settled share-based payments						963
Imputed interest on convertible bonds						1,945

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	For the year ended 31 December 2006						
	Property investment HK$'000	Entertainment media HK$'000	Media shopping HK$'000	Telecom-munication HK$'000	Financial services HK$'000	Elimination HK$'000	Total HK$'000
Turnover							
External sales	4,552	121,174	4,818	2,562	129	–	133,235
Inter-segment sales	–	170	–	–	–	(170)	–
Total	4,552	121,344	4,818	2,562	129	(170)	133,235
Segment results	2,582	18,113	(3,467)	(547)	(1,408)		15,273
Other revenue and gains							5,118
Unallocated corporate expenses							(19,064)
Allowance for doubtful debts and write-off of irrecoverable trade and other receivables							(414)
Impairment loss of intangible assets and property, plant and equipment		(308)		(1,669)			(1,977)
Impairment loss of finance lease receivables		(6,475)					(6,475)
Finance costs							(17,883)
Loss before taxation							(25,422)
Taxation							(4,821)
Loss for the year							(30,243)

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	As at 31 December 2006					
	Property investment HK$'000	Entertainment media HK$'000	Media shopping HK$'000	Telecom-munication HK$'000	Financial services HK$'000	Total HK$'000
As at 31 December 2006						
Assets						
Segment assets	164,195	364,604	7,072	1,720	30	537,621
Unallocated assets						6,324
Total assets						543,945
Liabilities						
Segment liabilities	39,164	353,188	1,101	70	20	393,543
Unallocated liabilities						31,833
Total liabilities						425,376
For the year ended 31 December 2006						
Other information						
Additions to property, plant and equipment	22	2,440	1,042	–	–	3,504
Unallocated						1,243
						4,747
Additions to investment properties	558	–	–	–	–	558
Additions to intangible assets	–	308	–	–	–	308
Segment depreciation	3	1,775	84	406	–	2,268
Unallocated depreciation						473
						2,741
Amortisation of intangible assets	269	4,581	–	–	–	4,850
Fair value gains on investment properties, net	1,037	–	–	–	–	1,037
Allowance for doubtful finance lease receivables	187	–	–	–	1,303	1,490
Impairment loss of finance lease receivables	–	6,475	–	–	–	6,475
Allowance for doubtful debts and write-off of irrecoverable trade and other receivables	–	346	–	–	–	346
Unallocated allowance for doubtful debts and write-off of irrecoverable trade and other receivables						68
						414
Equity-settled share-based payments						442
Imputed interest on convertible preference shares						319

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments

During the year, 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 on which the Group reports its secondary segment information.

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

For the year ended 31 December 2007

	Hong Kong HK$'000	Mainland China HK$'000	USA HK$'000	Japan# HK$'000	Elimination HK$'000	Consolidated HK$'000
Turnover	25,001	13,210	1,975	5,078	(200)	45,064
Capital expenditure	865	90	–	129	–	1,084

As at 31 December 2007

	Hong Kong HK$'000	Mainland China HK$'000	USA HK$'000	Japan# HK$'000	Elimination HK$'000	Consolidated HK$'000
Segment assets	167,778	27,069	1,154	1,645	–	197,646

For the year ended 31 December 2006

	Hong Kong HK$'000	Mainland China HK$'000	USA HK$'000	Japan# HK$'000	Elimination HK$'000	Consolidated HK$'000
Turnover	22,500	10,260	2,562	98,083	(170)	133,235
Capital expenditure	3,173	1,042	867	531	–	5,613

As at 31 December 2006

	Hong Kong HK$'000	Mainland China HK$'000	USA HK$'000	Japan# HK$'000	Elimination HK$'000	Consolidated HK$'000
Segment assets	158,692	29,457	1,720	354,076	–	543,945

During the year, the Japan operation became a discontinued operation, details of which are set out in note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

6. OTHER REVENUE AND GAINS

	2007 HK$'000	2006 HK$'000
Interest income	172	178
Management service income	1,000	1,430
Gain on deemed disposal of a subsidiary	3,007	–
Gain on disposal of subsidiaries *(note 28)*	9	3,349
Others	164	161
	4,352	5,118
Attributable to continuing operations reported in the consolidated income statement	4,268	5,158
Interest income and others attributable to discontinued operation *(note 11)*	84	(40)
	4,352	5,118

7. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	2007 HK$'000	2006 HK$'000
Loss attributable to equity holders of the Company is arrived at after charging (crediting)#:		
Cost of inventories	11,636	4,446
Cost of services *(note)*	10,973	65,650
Allowance for doubtful debts and write-off of irrecoverable trade and other receivables	9,175	414
Loss on disposal of intangible assets	–	456
Loss on disposal of property, plant and equipment	599	942
Impairment loss of property, plant and equipment	–	157
Impairment loss of intangible assets	–	1,820
Impairment loss of finance lease receivables	–	6,475
Net exchange (gains) losses	(1,676)	282
Auditor's remuneration:		
Current year	920	753
(Overprovision) underprovision in respect of prior years	(24)	79
Amortisation of intangible assets	395	4,850
Depreciation	2,095	2,741
Operating lease rentals in respect of rented premises	4,826	3,005
Allowance for doubtful finance lease receivables	–	1,490
Provision for obsolete inventories	165	–
Staff costs:		
– Directors' remuneration *(note 9)*	15,057	8,436
– Other staff costs:		
Salaries, wages and other benefits	24,364	22,292
Retirement benefit scheme contributions	324	248
Equity-settled share-based payments	213	–
	39,958	30,976

7. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY *(continued)*

The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.

Note: Cost of services includes HK$395,000 (2006: HK$4,850,000) relating to amortisation expenses, which amount is also included in the respective total amounts disclosed separately above.

The consolidated loss attributable to equity holders of the Company includes a loss of HK$57,784,000 (2006: HK$18,819,000) (note 24) which has been dealt with in the financial statements of the Company.

8. FINANCE COSTS

	Notes	2007 HK$'000	2006 HK$'000
Imputed interest on convertible preference shares		–	319
Imputed interest on convertible bonds	*25*	1,945	–
Finance charges on obligations under finance leases		3,729	15,596
Interests on:			
Borrowings wholly repayable within five years		2,260	909
Borrowings not wholly repayable within five years		547	1,059
		8,481	17,883
Attributable to continuing operations reported in the consolidated income statement		4,730	2,261
Attributable to discontinued operation	*11*	3,751	15,622
		8,481	17,883

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The directors' remuneration is analysed as follows:

	2007 HK$'000	2006 HK$'000
Fees:		
Independent non-executive directors	312	304
Other emoluments paid to executive directors:		
Salaries and other benefits	13,454	6,897
Bonuses	450	1,014
Equity-settled share-based payments	750	129
Retirement benefit scheme contributions	91	92
	14,745	8,132
	15,057	8,436

No directors waived any remuneration in respect of the years ended 31 December 2006 and 2007.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Directors' remuneration *(Continued)*

	2007 HK$'000	2006 HK$'000
Michele Matsuda		
– Salaries and other benefits	9,866	3,349
– Bonuses	450	1,014
– Equity-settled share-based payments	–	–
– Retirement benefit scheme contributions	60	60
	10,376	4,423
Leung To Kwong, Valiant		
– Salaries and other benefits	1,427	1,397
– Equity-settled share-based payments	250	–
– Retirement benefit scheme contributions	12	12
	1,689	1,409
Cheung Chi Fai, Frank (Resigned on 28 November 2007)		
– Salaries and other benefits	1,366	1,427
– Equity-settled share-based payments	250	–
– Retirement benefit scheme contributions	11	12
	1,627	1,439
Yiu Ying Fai (Resigned on 25 July 2007)		
– Salaries and other benefits	795	724
– Equity-settled share-based payments	250	129
– Retirement benefit scheme contributions	8	8
	1,053	861
Zhou Ji, Jason		
– Fee	104	96
Chen Tien-yiu, Theodore		
– Fee	104	96
Wong Tak Shing		
– Fee	104	72
Keijiro Hasegawa		
– Fee	–	40

Mr. Shinji Yamamoto, a non-executive director of the Company, was appointed on 16 February 2007. According to his service agreement with the Company, he did not receive any director fee for the financial year ended 31 December 2007.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Five highest paid employees

The five highest paid individuals of the Group included four (2006: three) executive directors of the Company, details of whose emoluments are set out above. The remuneration of the remaining one (2006: two) highest paid employee, other than directors of the Company, is as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	798	2,111
Retirement benefit scheme contributions	40	11
	838	2,122

The number of non-director, highest paid employees whose remuneration fell within the following bands, is as follows:

	2007	2006
Nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	–	2

10. TAXATION

	2007 HK$'000	2006 HK$'000
Taxation in the consolidated income statement represents:		
Current taxation – overseas		
Current year	257	440
Underprovision in respect of prior years	196	101
Deferred taxation		
Attributable to the origination and reversal of temporary differences	358	4,280
Resulting from a change in tax rate in Hong Kong	(270)	–
	541	4,821

10. TAXATION *(continued)*

Taxation for overseas subsidiaries has been calculated on the estimated assessable profits for the year ended 31 December 2006 and 2007 at the appropriate current rates of taxation ruling in the countries in which the Group's subsidiaries operate. No provision for Hong Kong profits tax has been made for the year as the Group has no assessable profit arising in Hong Kong (2006 : Nil).

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

	2007 HK$'000	2006 HK$'000
Loss before taxation (including loss from discontinued operation)	(64,248)	(25,422)
Taxation calculated at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	(11,243)	(4,449)
Tax effect of expenses not deductible for tax purposes	10,507	13,100
Tax effect of income not taxable for tax purposes	(3,642)	(3,765)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(3,559)	(4,858)
Underprovision in respect of prior years	196	101
Tax effect on utilisation of previously unrecognised tax losses and other deductible temporary differences	(417)	(4,894)
Tax effect of unused tax losses and other deductible temporary differences not recognised	8,646	1,750
Tax effect of recognition of deductible temporary differences previously not recognised and write-off of deferred tax assets	293	7,946
Effect on opening deferred tax resulting from decrease in Hong Kong profits tax rate	(270)	–
Others	30	(110)
Taxation for the year	541	4,821
Represented by:		
Tax charge attributable to continuing operations reported in the consolidated income statement	330	4,305
Tax charge attributable to discontinued operation *(note 11)*	211	516
Taxation for the year	541	4,821

10. TAXATION *(continued)*

Deferred taxation

The movements in the components of deferred tax (liabilities) assets recognised by the Group and the Company during the current and prior years are as follows:

Group

	Accelerated tax depreciation HK$'000	Fair value changes on investment properties HK$'000	Tax losses HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 January 2006	(3,549)	–	3,206	–	(343)
Credit (charge) to consolidated income statement for the year	549	(8,175)	3,346	–	(4,280)
Acquisition of a subsidiary *(note 27)*	–	(373)	–	–	(373)
At 31 December 2006	(3,000)	(8,548)	6,552	–	(4,996)
Effect of change in tax rate	157	472	(359)	–	270
(Charge) credit to consolidated income statement for the year	(40)	8	(646)	320	(358)
Charge to equity for the year	–	–	–	(705)	(705)
Exchange fluctuation	–	(67)	–	–	(67)
At 31 December 2007	(2,883)	(8,135)	5,547	(385)	(5,856)

Company

	Convertible bonds HK$'000
At 1 January 2006 and 31 December 2006	–
Credit to consolidated income statement for the year	320
Charge to equity for the year	(705)
At 31 December 2007	(385)

10. TAXATION *(continued)*

Deferred taxation *(continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax relates to the same fiscal authority. The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax liabilities	(11,403)	(11,548)	(385)	–
Deferred tax assets	5,547	6,552	–	–
	(5,856)	(4,996)	(385)	–

At the balance sheet date, the Group has unused tax losses of HK$98,140,000 (2006: HK$67,284,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$33,444,000 (2006: HK$36,686,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$64,696,000 (2006: HK$30,598,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$9,924,000 (2006: HK$1,569,000) that will expire in twenty years since respective dates of incurrence and tax losses of HK$754,000 (2006: HK$684,000) that will expire in five years time since the respective dates of incurrence. Other tax losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of HK$1,578,000 (2006: HK$1,325,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

There were no other material unprovided deferred tax liabilities as at 31 December 2006 and 2007.

11. DISCONTINUED OPERATION

As disclosed in the Company's announcement dated 12 March 2007, the Group entered into (i) a lease termination deed dated 9 March 2007 with Quants Inc. ("Quants") to terminate the lease contracts; and (ii) a management termination deed dated 9 March 2007 with Freparnetwork Inc. ("Frepar"), a shareholder of the Company during the year, to terminate the management contracts. These termination deeds are of retrospective effect from 1 December 2006. No party of the termination deeds is required to pay any consideration in relation to the termination of the lease contracts and management contracts. The Group's assets and liabilities in relation to the finance lease arrangements with Quants and Frepar, mainly comprising finance lease receivables and finance lease payables, should be derecognised pursuant to the above termination deeds.

11. DISCONTINUED OPERATION *(continued)*

The Japan business was a separate geographical segment of the Group which mainly comprised the finance lease business. The Group has decided to cease Japan business after the above termination deeds, which also constituted a discontinued operation during the year. Loss for the year from discontinued operation was presented as follows:

	Notes	2007 HK$'000	2006 HK$'000
Turnover	5	4,909	97,905
Cost of sales		–	(51,606)
Gross profit		4,909	46,299
Other revenue	6	75	7
Selling and distribution expenses		(1,180)	(9,484)
Administrative expenses		(13,938)	(16,167)
Operating (loss) profit		(10,134)	20,655
Finance costs	8	(3,751)	(15,622)
Impairment loss of intangible assets and property, plant and equipment		–	(308)
Impairment loss of finance lease receivables		–	(6,475)
Loss before taxation and (gain) loss on disposal of subsidiaries from discontinued operation		(13,885)	(1,750)
Gain (loss) on disposal of subsidiaries	6	9	(47)
Loss before taxation from discontinued operation		(13,876)	(1,797)
Taxation	10	(211)	(516)
Loss for the year from discontinued operation		(14,087)	(2,313)
Cash flows (used in) generated from discontinued operation			
Net cash flows (used in) generated from operating activities		(8,668)	3,756
Net cash flows generated from investing activities		–	12,016
Net cash flows used in financing activities		(45)	(8,546)
Net cash flows		(8,713)	7,226
Basic loss per share from discontinued operation		HK$(0.013)	HK$(0.003)

The diluted loss per share from discontinued operation for the years ended 31 December 2006 and 2007 have not been presented as the convertible bonds, share options and warrants outstanding during these years had an anti-dilutive effect on the basic loss per share from discontinued operation for both years.

12. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares issue during the year, as adjusted to reflect the open offer and subdivision of shares during the year. Basic loss per share for the year ended 31 December 2006 is restated to take into effect the open offer and subdivision of shares during the year ended 31 December 2007.

The calculations of the basic and diluted loss per share are based on:

	Year ended 31 December	
	2007	2006
	HK$'000	HK$'000
For continuing and discontinued operations		
Loss for the year for the purpose of basic loss per share – loss for the year attributable to equity holders of the Company	**64,872**	30,043

	Number of shares	
	2007	2006
		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share:		
Number of issued ordinary shares at 1 January	**90,173,056**	76,955,056
Effect of open offer and share subdivision	**866,849,649**	739,776,993
Effect of shares issued through placement, exercise of share options and conversion of convertible bond during the year	**126,703,340**	108,025,140
Weighted average number of ordinary shares as at 31 December	**1,083,726,045**	924,757,189

	Year ended 31 December	
	2007	2006
	HK$'000	HK$'000
For continuing operations		
Loss for the year for the purpose of basic loss per share – loss for the year attributable to equity holders of the Company	**64,872**	30,043
Less: Loss for the year from discontinued operation	**(14,087)**	(2,313)
Loss for year for the purpose of basic loss per share from continuing operations	**50,785**	27,730

Diluted loss per share for the years ended 31 December 2006 and 2007 has not been disclosed, as convertible bonds, share options and warrants outstanding during the years had an anti-dilutive effect on the basic loss per share for these years.

13. PROPERTY, PLANT AND EQUIPMENT

	Note	Group Furniture, fixtures and equipment HK$'000	Group Motor vehicles HK$'000	Group Total HK$'000	Company Furniture, fixtures and equipment HK$'000
COST					
As at 1 January 2006		19,623	–	19,623	40
Additions		4,560	187	4,747	–
Disposal of subsidiaries	*28*	(1,806)	–	(1,806)	–
Disposals		(3,430)	–	(3,430)	–
Exchange fluctuation		66	–	66	–
As at 31 December 2006		19,013	187	19,200	40
Additions		1,084	–	1,084	–
Disposal, liquidation and deregistration of subsidiaries	*28*	(64)	–	(64)	–
Disposals		(678)	–	(678)	–
Exchange fluctuation		97	15	112	–
As at 31 December 2007		19,452	202	19,654	40
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
As at 1 January 2006		13,883	–	13,883	15
Depreciation charge for the year		2,719	22	2,741	8
Disposal of subsidiaries	*28*	(960)	–	(960)	–
Disposals		(2,488)	–	(2,488)	–
Impairment loss recognised		157	–	157	–
Exchange fluctuation		33	–	33	–
As at 31 December 2006		13,344	22	13,366	23
Depreciation charge for the year		2,057	38	2,095	8
Disposal, liquidation and deregistration of subsidiaries	*28*	(28)	–	(28)	–
Disposals		(63)	–	(63)	–
Exchange fluctuation		30	2	32	–
As at 31 December 2007		15,340	62	15,402	31
CARRYING AMOUNTS					
As at 31 December 2007		4,112	140	4,252	9
As at 31 December 2006		5,669	165	5,834	17

14. INVESTMENT PROPERTIES

Group	*Note*	HK$'000
FAIR VALUE		
At 1 January 2006		140,500
Acquisition of a subsidiary	27	20,714
Additions		558
Exchange fluctuation		192
Fair value gains, net		1,037
At 31 December 2006		163,001
Exchange fluctuation		1,621
Fair value losses, net		(182)
At 31 December 2007		164,440

Investment properties were valued at 31 December 2007 by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer, who has among their staff Fellow of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued, on an open market value basis. This valuation gave rise to net fair value losses of HK$182,000 (2006: net fair value gains of HK$1,037,000) which has been recognised in the consolidated income statement. The deferred tax credit of approximately HK$8,000 arising from the current year valuation, have been charged to the income statement for the year.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to HK$5,463,000 (2006: HK$4,552,000). Direct operating expenses arising on the investment properties in the year amounted to HK$1,440,000 (2006: HK$1,396,000).

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

All of the Group's investment properties have been pledged to secure banking facilities granted to the Group *(note 32(a)(ii))*.

The carrying amount of investment properties shown above is analysed as follows:

	2007 HK$'000	2006 HK$'000
Mainland China		
– medium term leases	**24,240**	22,001
Hong Kong		
– medium term leases	**140,200**	141,000
	164,440	163,001

15. INTANGIBLE ASSETS

Group	Note	Cable use rights HK$'000	Website software HK$'000	Licensing rights HK$'000	Total HK$'000
COST					
As at 1 January 2006		3,626	727	22,055	26,408
Additions		–	–	308	308
Disposals		–	(793)	–	(793)
Exchange fluctuation		10	66	–	76
As at 31 December 2006		3,636	–	22,363	25,999
Liquidation and deregistration of subsidiaries	*28*	–	–	(22,363)	(22,363)
Exchange fluctuation		13	–	–	13
As at 31 December 2007		3,649	–	–	3,649
ACCUMULATED AMORTISATION AND IMPAIRMENT					
As at 1 January 2006		672	159	4,050	4,881
Charge for the year		269	163	4,418	4,850
Disposals		–	(337)	–	(337)
Impairment loss recognised		1,512	–	308	1,820
Exchange fluctuation		2	15	–	17
As at 31 December 2006		2,455	–	8,776	11,231
Charge for the year		395	–	–	395
Liquidation and deregistration of subsidiaries	*28*	–	–	(8,776)	(8,776)
Exchange fluctuation		9	–	–	9
As at 31 December 2007		2,859	–	–	2,859
CARRYING AMOUNTS					
As at 31 December 2007		790	–	–	790
As at 31 December 2006		1,181	–	13,587	14,768

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

The intangible assets included above have finite useful lives, over which the assets are amortised, which are amortised over their estimated useful lives.

The amortisation charge for the year is included in "cost of sales" in the consolidated income statement.

16. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Amounts receivable under finance leases:				
Within one year	–	100,976	–	72,491
After first year but within second year	–	86,670	–	70,394
After the second to fifth years inclusive	–	197,282	–	187,749
	–	384,928		
Less: unearned finance income	–	(54,294)		
Present value of minimum lease payments receivable before impairment	–	330,634	–	330,634
Less: Allowance for doubtful finance lease receivables	–	(1,490)	–	(1,490)
Impairment loss recognised	–	(6,475)	–	(6,475)
Present value of minimum lease payments receivable, net of allowance and impairment loss	–	322,669	–	322,669
Analysed as:				
Non-current finance lease receivables, net of allowance and impairment loss (recoverable after 12 months)			–	250,725
Current finance lease receivables (recoverable within 12 months)			–	71,944
			–	322,669

On 12 August and 15 November 2005, the Group entered into two management agreements with Frepar to manage at 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. Those arrangements were accounted for as finance leases. As at 31 December 2006, 2,699 machines were leased to Frepar.

As disclosed in the announcement of the Company dated 12 March 2007, the Group entered into a management termination deed with Frepar on 9 March 2007 to terminate the above finance leases, details of which are set out in note 11 to the financial statements.

16. FINANCE LEASE RECEIVABLES *(continued)*

In 2006, the Group carried out an impairment review on finance lease receivables. An amount of finance lease receivable of HK$1,490,000 was considered not recoverable because of default in payments and no solid repayment schedule agreed, hence full provision was made.

In addition, the Group estimated the recoverable amount of Japan CGU, one of the Group's CGUs, to which the finance lease receivables belong. The recoverable amount of Japan CGU was estimated to be approximately HK$6,475,000 below its carrying amount as at 31 December 2006. As the carrying value of finance lease receivables as at 31 December 2006 represented the majority of the assets that belong to the Japan CGU, the directors considered it was appropriate to allocate the entire impairment loss of HK$6,475,000 to the finance lease receivables of the Group as at 31 December 2006.

The interest rates inherent in the leases were fixed at the contract date for the lease term. The weighted average interest rate on finance lease receivables at 31 December 2006 was 7.42%. There was no estimated unguaranteed residual value of asset leased under finance leases.

As at 31 December 2006, all the finance lease receivables net of allowance and impairment loss of the Group were denominated in Japanese Yen.

17. INTERESTS IN SUBSIDIARIES

Company

	2007	2006
	HK$'000	HK$'000
Unlisted shares/investments, at cost	**11,737**	11,737
Loans to subsidiaries	**47,000**	47,000
Amounts due from subsidiaries	**740,057**	695,158
	798,794	753,895
Less: allowance for amounts due from subsidiaries	**(642,564)**	(611,276)
	156,230	142,619

The amounts due from subsidiaries and loans to subsidiaries are unsecured and in substance they form part of the Company's interests in the subsidiaries in the form of quasi-equity loans.

The amounts due from subsidiaries are interest-free and the loans to subsidiaries are interest-bearing at prime rate plus 1.5% (2006: prime rate plus 1.5%) per annum.

17. INTERESTS IN SUBSIDIARIES *(continued)*

An allowance for amounts due from subsidiaries of HK$642,564,000 (2006: HK$611,276,000) was recognised as at 31 December 2007 because the related recoverable amounts of the balances due from subsidiaries with reference to the net assets value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amount of the related amounts due therefrom is reduced to its recoverable amount.

Particulars of the Company's subsidiaries as at 31 December 2007 are as follows:

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group		Nature of business
			Direct	Indirect	
Cellcast (Asia) Limited (i)	British Virgin Islands/ Hong Kong	US$45,525	–	82.37%	Provision of content and information services
Cellcast Technology (Shenzhen) Limited (ii)	Mainland China	HK$1,000,000	–	100%	Investment holding
Circle Telecom USA, LLC	USA	US$100	–	100%	Provision of telecommunication services
Cornwick Investments Limited	Hong Kong	HK$2	–	100%	Holding investment properties in Hong Kong
Drive HK Limited	Hong Kong	HK$1	–	100%	Provision of content and information services
Drive Media (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Investment holding
Drive USA Inc. (formerly known as "Sun Innovation Hawaii, Inc.")	USA	US$10	–	100%	Investment holding and provision of management services
FilMacau Company Limited (iii)	Macau	MOP$25,000	–	100%	Dormant

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2007 are as follows *(continued)*:

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group		Nature of business
			Direct	Indirect	
Foreign Equity Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Investment holding
Katharsis Trading Limited	Mainland China	RMB1,010,000	–	100%	Provision of T.V. shopping services
Media Elite Limited	British Virgin Islands/ Hong Kong	US$16,000	–	100%	Provision of advertising agency services and magazine publishing
Media Elite HK Limited	Hong Kong	HK$100	–	100%	Investment holding
Million Year Consultants Limited ("Million Year")	British Virgin Islands/ Mainland China	US$1	–	100%	Holding investment properties in Mainland China
New Multimedia Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Provision of content and information services
S.I. Corporate Services Limited	Hong Kong	HK$100	–	100%	Provision of corporate services
S.I. Finance Group Limited	British Virgin Islands/ Hong Kong	US$100	100%	–	Investment holding
S.I. Hotel Investments Limited (formerly known as "Sun Innovation International Technology Limited")	British Virgin Islands	US$2	100%	–	Investment holding

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2007 are as follows *(continued)*:

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group		Nature of business
			Direct	Indirect	
S.I. Hotel (Project Management) Limited (iii)	Hong Kong	HK$1	–	100%	Project management
S.I. Investments Limited	Hong Kong	HK$10,000	–	100%	Provision of investment advisory and capital leasing services
S.I. Investments and Finance Limited	Hong Kong	HK$100	–	100%	Dormant
S.I. Macau Entertainment Company Limited (iii)	British Virgin Islands	US$1	100%	–	Investment holding
S.I. Media Shopping Limited	Hong Kong	HK$1	–	100%	Investment holding
S.I. TV Shopping (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Sai Chak Company Limited	Hong Kong	HK$100,000	–	100%	Holding investment properties in Hong Kong
Sky Telemedia (China) Limited	Hong Kong	HK$100	–	100%	Investment holding
Sun Innovation Entertainment Media Group Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Sun Innovation HK Properties Holdings Limited	British Virgin Islands	US$1	–	100%	Investment holding

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17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2007 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 Management Services Limited	Hong Kong	HK$2	100%	–	Provision of management services
Sun Innovation Media Group Limited	British Virgin Islands/ Hong Kong	US$1,000	–	100%	Investment holding
Sun Innovation Properties Holdings Limited	British Virgin Islands/ Hong Kong	US$2	100%	–	Investment holding
Sun Innovation Resources Limited	Hong Kong	HK$2	–	100%	Provision of management services
Sun Innovation Telecommunication Group Limited	British Virgin Islands	US$1	–	100%	Investment holding
Wide Profit Enterprises Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
惠州泓開商務諮詢有限公司	Mainland China	RMB100,000	–	100%	Provision of customer services
廣州市泓亮商務有限公司	Mainland China	RMB100,000	–	100%	Provision of customer services

17. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

(i) During the year, Cellcast (Asia) Limited, a 99.93%-owned subsidiary as at 31 December 2006, settled accounts payable of appropriately HK$4,963,000 by issue and allotment of its new 8,000 ordinary shares to the creditor, pursuant to which Cellcast (Asia) Limited became a 82.37%-owned subsidiary of the Company.

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

(iii) During the year, these subsidiaries were newly incorporated.

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

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**8,303**	18,581	**–**	–
Other receivables and prepayments	**5,956**	4,859	**891**	531
	14,259	23,440	**891**	531

(i) The directors consider that the carrying amounts of trade receivables, other receivables and prepayments approximate their fair values as at 31 December 2006 and 2007.

No interest is charged on trade receivables.

(ii) The Group normally allows an average credit period of 60 days to trade customers. As at 31 December 2007, the ageing analysis of the Group's trade receivables, net of allowance for doubtful debts, based on the transaction date was as follows:

	2007	2006
	HK$'000	HK$'000
Current	**1,663**	8,840
31 to 60 days	**1,129**	6,419
61 to 90 days	**1,633**	2,071
Over 90 days	**3,878**	1,251
	8,303	18,581

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

(ii) At 31 December 2007, the Group's trade receivables of HK$9,480,000 (2006: Nil) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that full amount of the impaired receivables is expected to be irrecoverable. Consequently, a specific allowance for doubtful debts of HK$9,480,000 (2006: Nil) was made. The Group does not held any collateral over these balances.

Except for the above, no further allowance has been made for estimated irrecoverable amounts from the sale of goods and provision of services.

(iii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	Group 2007 HK$'000
At 1 January 2006 and 31 December 2006	–
Allowance for doubtful debts *(note 7)*	9,175
Exchange fluctuation	305
At 31 December 2007	9,480

(iv) As at 31 December 2006 and 2007, the Group's trade receivables that are neither individually nor collectively considered to be impaired were not past due.

19. BANK BALANCES AND CASH

As at 31 December 2007, included in the bank balances and cash of the Group was an amount of HK$650,000 (2006: HK$1,463,000) which was denominated in Renminbi ("RMB"). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

20. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS AND PAYABLE FOR ACQUISITION OF A SUBSIDIARY

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**9,033**	15,018	**–**	–
Other payables and accruals	**8,989**	9,692	**3,052**	2,657
	18,022	24,710	**3,052**	2,657
Payable for acquisition of a subsidiary	**–**	15,878	**–**	–
	18,022	40,588	**3,052**	2,657

Trade payables principally comprise amounts outstanding for trade purchases and outgoing costs.

As at 31 December 2006, there was a payable for acquisition of a subsidiary of approximately HK$15,878,000 (note 27) payable to Quants in relation to the Company's acquisition of a subsidiary from Quants. The amount is interest-free, unsecured and due on 31 January 2007. The balance was fully settled on 16 February 2007.

The directors consider that the carrying amounts of trade payables, other payables and accruals and payable for acquisition of a subsidiary approximate their fair values as at 31 December 2006 and 2007.

As at 31 December 2007, the ageing analysis of the Group's trade payables was as follows:

	2007	2006
	HK$'000	HK$'000
Current	**722**	3,919
31 to 60 days	**208**	5,457
61 to 90 days	**56**	126
Over 90 days	**8,047**	5,516
	9,033	15,018

21. BANK LOANS - SECURED

The borrowings are repayable as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
On demand or within one year	**938**	30,769	**–**	29,000
After one year but within two years	**974**	1,858	**–**	–
In the second to fifth years inclusive	**3,163**	5,260	**–**	–
Over five years	**4,262**	8,379	**–**	–
	9,337	46,266	**–**	29,000
Less: Amounts due within one year shown under current liabilities	**(938)**	(30,769)	**–**	(29,000)
Amount due for settlement after one year	**8,399**	15,497	**–**	–

The bank loans are secured by investment properties of the Group, cross guarantees given by the Group and certain of its subsidiaries and personal guarantee of a director of the Company and a director of a subsidiary, further details are disclosed in note 32(a). The bank loans bear floating interest rates at effective rates ranging from 4.6% to 11.25% (2006: 5.75% to 11.75%) per annum and have maturity date falling within 2008 to 2016. Except for a Group's bank loan of HK$172,000 (2006: HK$217,000) which is denominated in United States dollars, all the remaining bank loans of the Group and the Company are denominated in Hong Kong dollars.

The directors consider that the carrying amounts of the Group's and the Company's bank loans approximate their fair values as at 31 December 2006 and 2007.

22. OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	–	80,176	–	52,935
After one year but within two years	–	83,762	–	66,498
In the second to fifth years inclusive	–	224,233	–	213,519
	–	388,171		
Less: future finance charges	–	(55,219)		
Present value of lease obligations	–	332,952	–	332,952
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	(52,935)
Amount due for settlement after 12 months			–	280,017

On 12 August and 15 November 2005, the Group entered into two lease agreements with Quants to lease a maximum of 3,400 digital content download kiosk machines under finance leases. The term of the leases is 5 years and the details were disclosed in circulars of the Company dated 8 September and 8 December 2005 respectively. These arrangements were accounted for as finance leases. As at 31 December 2006, 2,699 machines were leased from Quants.

For the year ended 31 December 2006, the average effective borrowing rate was 6.79%. All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations were denominated in Japanese Yen.

As disclosed in the announcement of the Company dated 12 March 2007, the Group entered into a lease termination deed with Quants on 9 March 2007 to terminate the above finance leases, details of which are set out in note 11 to the financial statements.

23. SHARE CAPITAL

	Number of ordinary shares 2007	2006	Amount 2007 HK$'000	2006 HK$'000
Authorised ordinary shares:				
As at 1 January 2007 and 1 January 2006 of HK$1 each	**730,000,000**	730,000,000	**730,000**	730,000
Subdivision of shares *(note (a))*	**6,570,000,000**	–	**–**	–
As at 31 December 2006 of HK$1 each and 2007 of HK$0.1 each	**7,300,000,000**	730,000,000	**730,000**	730,000
Issued and fully paid ordinary shares:				
As at 1 January 2007 and 1 January 2006 of HK$1 each	**90,173,056**	76,955,056	**90,173**	76,955
Issue of ordinary shares *(note (c))*	**56,831,018**	13,218,000	**56,831**	13,218
Subdivision of shares *(note (a))*	**1,323,036,666**	–	**–**	–
As at 31 December 2006 of HK$1 each and 2007 of HK$0.1 each	**1,470,040,740**	90,173,056	**147,004**	90,173

As at 31 December 2007 and 2006, the authorised convertible preference share ("CPS") capital was HK$20,000,000 divided in 2,000,000,000 convertible preference shares at HK$0.01 each. No CPS was allotted and issued as at the balance sheet dates.

23. SHARE CAPITAL *(continued)*

Notes:

(a) Share subdivision

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 8 November 2007, a share subdivision was effected such that every ordinary share of HK$1 each in the issued and unissued share capital of the Company was subdivided into ten subdivided shares of HK$0.1 each by the creation of 1,323,036,666 subdivided shares based on the number of the issued ordinary shares at that time ("Share Subdivision").

(b) Authorised share capital restructure

Immediately after the Share Subdivision, the restructure of the authorised share capital ("Authorised Share Capital Restructure") as disclosed in the Company's circular dated 23 October 2007 became effective. The authorised ordinary share capital of the Company was HK$730,000,000 divided into 730,000,000 shares of HK$1.00 each originally but after the Share Subdivision in December 2007, it was subdivided into 7,300,000,000 subdivided shares of HK$0.10 each. The authorised CPS capital of the Company remains unchanged and amounts to HK$20,000,000 divided into 2,000,000,000 CPSs of HK$0.01 each.

(c) (i) In 2007, share options were exercised by certain employees to subscribe for 80,000 shares of HK$1.00 each in the Company at an average consideration of HK$1.90 per share, totalling HK$152,000.

(ii) On 15 June 2007, the convertible bond in the principal amount of HK$20 million as referred to in note 25(c), has been converted into 10,000,000 shares of HK$1.00 each of the Company.

(iii) On 6 August 2007, the Company issued, through a placing agent, 10,000,000 ordinary shares of HK$1.00 each of the Company at the placing price, net of placing commission and other costs and expenses, is approximately HK$1.42 each and 5,000,000 unlisted warrants at HK$0.10 each to independent investors under a placing agreement dated 23 July 2007. Details are set out in the Company's announcement dated 23 July 2007.

(iv) In November 2007, the Company issued 36,751,018 ordinary shares of HK$1.00 each of the Company at a subscription price of HK$1.56 per offer share and 16,905,460 unlisted warrants at HK$0.10 each to the existing shareholders as a result of the open offer approved at the special general meeting of the Company held on 8 November 2007. The share options issued to Quants as underwriting commission of HK$3,442,000 was charged to the share premium account as it is a transaction cost directly attributable to the open offer (note 26(i)). The open offer of the Company comprised (i) the issue of offer shares to the qualifying shareholders on the basis of 1 offer share for every 3 shares held on the record date; and (ii) the issue of warrants to the qualifying shareholders on the basis of 23 warrants for every 50 offer shares validly accepted and duly paid. Details are set out in the Company's circular and prospectus dated 23 October 2007 and 9 November 2007 respectively.

24. RESERVES

	Share premium HK$'000	Warrants reserve HK$'000	Convertible bonds-equity component HK$'000	Share-based payments reserve HK$'000	Convertible preference shares reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Company								
At 1 January 2006	–	–	–	7,994	9,792	190,876	(168,360)	40,302
Conversion of convertible preference shares	18,329	–	–	–	(9,792)	–	–	8,537
Issue of shares on exercise of share options	218	–	–	–	–	–	–	218
Distribution of contributed surplus	–	–	–	–	–	(9,018)	–	(9,018)
Recognition of equity-settled share-based payments	–	–	–	442	–	–	–	442
Loss for the year	–	–	–	–	–	–	(18,819)	(18,819)
At 31 December 2006	18,547	–	–	8,436	–	181,858	(187,179)	21,662
Issue of convertible bonds	–	–	4,826	–	–	–	–	4,826
Issue of shares upon conversion of convertible bonds *(note 23(c)(ii))*	10,000	–	(1,494)	–	–	–	–	8,506
Issue of shares on exercise of share options *(note 23(c)(i))*	122	–	–	(50)	–	–	–	72
Release upon lapse of share options	–	–	–	(4,858)	–	–	4,858	–
Issue of shares and warrants in placement *(note 23(c)(iii))*	4,200	500	–	–	–	–	–	4,700
Issue of shares and warrants in open offer *(note 23(c)(iv))*	17,139	1,691	–	3,442	–	–	–	22,272
Transfer of contributed surplus to accumulated losses *(Note)*	–	–	–	–	–	(181,858)	181,858	–
Recognition of equity-settled share-based payments *(note 26)*	–	–	–	963	–	–	–	963
Deferred tax arising from equity component of convertible bonds	–	–	(705)	–	–	–	–	(705)
Loss for the year	–	–	–	–	–	–	(57,784)	(57,784)
At 31 December 2007	50,008	2,191	2,627	7,933	–	–	(58,247)	4,512

24. RESERVES *(continued)*

Note: Pursuant to an ordinary resolution passed on 17 April 2007, the Company's contributed surplus as at 31 December 2006 was transferred to set off against its accumulated losses.

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

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 account.

As disclosed in the Company's announcement dated 27 July 2006, the directors resolved to declare and distribute the contributed surplus of HK$0.1 per share to the shareholders of the Company whose names appeared on the register of members of the Company on 14 August 2006. The total amount of the distribution is approximately HK$9,018,000. No distribution of contributed surplus was declared during the year. No dividend was declared or paid during the year (2006 : Nil).

25. CONVERTIBLE BONDS

(a) On 13 February 2007, the Company entered into a subscription agreement with Tackana Agents Limited pursuant to which the subscriber subscribed a 5% redeemable convertible bond of the Company in aggregate principal amount of HK$5.4 million. The maturity date of the convertible bond is 18 months from date of issue with a right to convert at a maximum of 3,000,000 shares of the Company at conversion price of HK$1.8 per share. The related convertible bond was issued on 13 March 2007. After the open offer of the Company, the adjusted conversion price per share and adjusted number of shares to be converted are HK$1.708 and 3,161,290 respectively.

(b) On 14 February 2007, the Company entered into a subscription agreement with Violet Profit Holdings Limited pursuant to which the subscriber subscribed a 5% redeemable convertible bond of the Company in aggregate principal amount of HK$7.2 million. The maturity date of the convertible bond is 18 months from date of issue with a right to convert at a maximum of 4,000,000 shares of the Company at conversion price of HK$1.8 per share. The related convertible bond was issued on 13 March 2007. After the open offer of the Company, the adjusted conversion price per share and adjusted number of shares to be converted are HK$1.708 and 4,215,054 respectively.

25. CONVERTIBLE BONDS *(continued)*

(c) On 16 February 2007, the Company entered into a subscription agreement with Ichiya Co., Ltd. pursuant to which the subscriber subscribed a 5% redeemable convertible bond of the Company in aggregate principal amount of HK$20 million. The maturity date of the convertible bond is 18 months from date of issue with a right to convert at a maximum of 10,000,000 shares of the Company at conversion price of HK$2.0 per share. The related convertible bond was issued on 13 March 2007 and was converted into ordinary shares during the year.

The fair value of the liability component included in the above convertible bonds was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity component, is included in equity, net of deferred tax. The weighted average effective interest rate of the convertible bonds is 17% per annum.

The convertible bonds issued during the year have been split as to the liability and equity components, as follows:

	2007 HK$'000
Nominal value of convertible bonds issued during the year	**32,600**
Equity component	**(4,826)**
Liability component on initial recognition	**27,774**
Conversion into ordinary shares	**(18,506)**
Interest expenses recognised and unsettled during the year *(note 8)*	**1,945**
Liability component at the end of the year	**11,213**

26. SHARE-BASED PAYMENT TRANSACTIONS

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

(i) **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 2007, options have already been granted to employees, executive directors, a customer and a consultant of the Company.

On 10 January 2007, the Company granted 1,240,000 options to certain directors and employees at the exercise price of HK$1.90 each for a period of three years for directors and two years for employees and the related expenses of HK$963,000 (2006: HK$442,000) was charged to the consolidated income statement during the year.

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

(i) 2002 Share Option Scheme *(continued)*

On 30 November 2007, the Company granted 8,000,000 options to Quants at the exercise price of HK$2.15 each for a period of 18 months as underwriting commission in respect of the underwriting agreement entered into between the Company and Quants dated 21 September 2007 and such share-based payment was recognised as a transaction cost of HK$3,442,000 charged to the share premium account (note 23(c)(iv)).

During the year, 480,000 options were lapsed.

(ii) Options granted under general mandate

No option was granted under general mandate during the year.

Movements of share options of the Company during the years ended 31 December 2006 and 2007 are as follows:

	Number of Share Options											
	Outstanding as at 1.1.2006 '000	Granted during 2006 '000	Exercised during 2006 '000	Lapsed during 2006 '000	Outstanding as at 31.12.2006 and 01.01.2007 '000	Granted during 2007 '000	Exercised during 2007 '000	Lapsed during 2007 '000	Adjusted in the open offer during 2007 '000	Subdivided during 2007 '000	Reclassified during 2007 '000	Outstanding as at 31.12.2007 '000
Category:												
2002 Option Scheme *(note i)*												
Directors	2,320	100	(118)	(202)	2,100	900	–	–	161	28,451	(7,376)	24,236
Employees	180	–	(100)	–	80	340	(80)	(160)	10	1,707	7,376	9,273
Consultants	320	200	–	–	520	–	–	(320)	11	1,897	–	2,108
Quants	–	–	–	–	–	8,000	–	–	–	72,000	–	80,000
	2,820	300	(218)	(202)	2,700	9,240	(80)	(480)	182	104,055	–	115,617
Weighted average exercise price	5.45	3.728	2	3.46	5.668	2.12	1.9	5.78	–	–	–	0.276
Options granted under general mandate												
Strategic alliance *(note (ii))*	2,250	–	–	(2,250)	–	–	–	–	–	–	–	–
Weighted average exercise price	6.52	–	–	6.52	–	–	–	–	–	–	–	–
Total number of share options	5,070	300	(218)	(2,452)	2,700	9,240	(80)	(480)	182	104,055	–	115,617

26. 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$2.528 (2006: HK$2.90). The option outstanding at the end of the year have a weighted average remaining contractual life of 2.45 years (2006 : 7.18 years).

The fair value was determined 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, expected option period, volatility and expected dividend yield. The valuation parameters of the options issued in 2007 are as follows:

Weighted average fair value at grant date per share	HK$0.047
Weighted average exercise price	HK$0.21
Expected volatility	100.40% - 109.37%
Option life	0.75 – 1.5 years
Risk-free interest rate	0.931% - 3.67%
Expected dividends	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.

27. ACQUISITION OF A SUBSIDIARY

In October 2006, the Group acquired the entire issued capital of Million Year from Quants at a cash consideration of JPY300,000,000 (equivalent to approximately HK$19,848,000).

The above transactions had been accounted for using acquisition method of accounting.

	2006 HK$'000
NET ASSETS ACQUIRED AT FAIR VALUE	
Investment properties *(note 14)*	20,714
Trade receivables, other receivables and prepayments	41
Bank balances and cash	100
Trade payables, other payables and accruals	(576)
Tax payable	(58)
Deferred tax liabilities *(note 10)*	(373)
Total consideration	19,848
Satisfied by:	
Cash	3,970
Other payable *(note 20)*	15,878
	19,848
Net cash outflow arising from acquisition:	
Cash paid	(3,970)
Bank balances and cash acquired	100
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(3,870)

During the year ended 31 December 2006, Million Year contributed approximately HK$126,000 to the Group's turnover, and resulted a profit of HK$1,472,000 to the Group's operating results.

28. DISPOSAL, LIQUIDATION AND DEREGISTRATION OF SUBSIDIARIES

In 2007, Visual Paradise, Inc., Channel Media Inc., Sun Innovation Software LLC, Media Elite Japan Limited and Drive Limited, wholly owned subsidiaries of the Company, were voluntarily liquidated or deregistered, where appropriate.

In 2006, Telecomlnno (Macau) Co Limited, Sun Innovation Publishing Group Limited, Sun Innovation China Properties Holdings Limited, Sun Innovation Pacific Holdings Limited, Mansion Engineering Group Limited, Mansion China Co. Ltd. (BVI) and Mansion China Co. Ltd. (HK), wholly owned subsidiaries of the Company, were voluntarily liquidated or deregistered, where appropriate.

28. DISPOSAL, LIQUIDATION AND DEREGISTRATION OF SUBSIDIARIES *(continued)*

As disclosed in the Company's circular dated 23 January 2007, the Group also disposed of its entire 51% effective equity interest in New Power Limited at a cash consideration of RMB1 (equivalent to HK$1) to a director of New Power Limited on 29 December 2006.

The net assets of the subsidiaries disposed of, liquidated and deregistered, where appropriate, at the relevant dates were as follows:

	Notes	**2007 HK$'000**	2006 HK$'000
Property, plant and equipment	*13*	**36**	846
Intangible assets	*15*	**13,587**	–
Finance lease receivables, trade receivables, other receivables and prepayments		**328,726**	1,064
Bank balances and cash		**–**	617
Obligation under finance leases, trade payables, other payables and accruals		**(342,358)**	(6,016)
Tax payable		**(5)**	–
Net identifiable assets and liabilities		**(14)**	(3,489)
Release of exchange fluctuation reserve		**5**	140
Gain on disposal of subsidiaries	*6*	**9**	3,349
Total consideration of disposal and net assets for distribution upon liquidation and deregistration		**–**	–
Net cash outflow arising from disposal, liquidation and deregistration of subsidiaries:			
Bank balances and cash disposed of and distributed upon liquidation and deregistration		**–**	(617)

The subsidiaries liquidated and deregistered during the year ended 31 December 2007 contributed HK$4,909,000 to the Group's turnover and a net loss of HK$8,629,000 to the Group's operating results.

The subsidiaries disposed of, liquidated and deregistered during the year ended 31 December 2006 contributed HK$5,316,000 to the Group's turnover and a net loss of HK$1,659,000 to the Group's operating results.

29. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2006, the Group leased kiosk machines from Quants under finance lease and recorded obligations under finance lease at HK$267,024,000 on inception date. The Group leased out such machines to Frepar under finance lease and recorded finance lease receivables at HK$267,024,000 on inception date.

(b) During the year ended 31 December 2006, a total of 1,300,000,000 CPSs were converted into ordinary shares at the conversion price of HK$0.0225 each at the rate of 100 CPSs to one ordinary share of the Company and 13,000,000 ordinary shares of HK$1.00 each have been issued.

(c) During the year, Cellcast (Asia) Limited, a 99.93%-owned subsidiary as at 31 December 2006, settled accounts payable of approximately HK$4,963,000 by issue and allotment of its new 8,000 ordinary shares to the creditor, pursuant to which Cellcast (Asia) Limited became a 82.37%-owned subsidiary of the Company.

30. 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"). 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 net of forfeited contribution made by the Group was approximately HK$415,000 (2006: HK$340,000).

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.

31. OPERATING LEASE COMMITMENTS

(i) As at 31 December 2007, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group			
	Land and buildings		Equipment	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**2,183**	3,695	**25**	188
Later than one year and not later than five years	**1,879**	2,844	**32**	342
	4,062	6,539	**57**	530

	Company	
	2007	2006
	HK$'000	HK$'000
Not later than one year	**336**	–

Land and buildings are negotiated for an average term of three years, at a fixed rental.

(ii) As at 31 December 2007, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Investment properties	
	2007	2006
	HK$'000	HK$'000
Not later than one year	**4,356**	3,088
Later than one year and not later than five years	**4,239**	1,615
	8,595	4,703

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

32. CREDIT FACILITIES, PLEDGE OF ASSETS AND GUARANTEES

(a) As at 31 December 2007, the Group had aggregate banking facilities of approximately HK$69,921,000 (2006: HK$69,921,000) from banks for guarantees, overdrafts, and loans. Unutilised banking facilities as at the same date amounted to approximately HK$60,584,000 (2006: HK$23,655,000) in respect of which all conditions precedent had been met. The bank facilities were secured by:

(i) cross guarantees totalling HK$35,000,000 (2006: 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.

Under the guarantee, the Company and certain subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

(ii) investment properties of the Group with a total carrying value of approximately HK$164,440,000 (2006: HK$163,001,000) as at 31 December 2007 (note 14).

(iii) personal guarantee of a director of the Company and a director of a subsidiary up to the extent of HK$390,000 (2006: HK$390,000).

(b) The Group's unsecured revolving term loan facility of HK$20,000,000 from Quants was contracted on 12 April 2007 for a period of 18 months from 1 July 2007 to 31 December 2008. The facility remained unutilised as at the balance sheet date.

33. LITIGATION

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. After obtaining the legal advice from a lawyer, the directors are of the opinion of the case has been dormant for a number of years and is remote, therefore no provision has been made in the financial statements in respect of the alleged claim.

34. CAPITAL COMMITMENT

The Group and the Company did not have any significant capital commitment as at 31 December 2006 and 2007.

35. 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.

(i) Details of transactions between the Group and other related parties, save as disclosed in notes 11, 16, 21, 22, 26, 27, 28, 29 and 32, are as follows:

(a) A subsidiary of the Company received management service income of approximately HK$989,000 (2006: HK$1,201,000) from Quants and its subsidiary for the provision of general administrative and corporate services.

(b) In prior year, a subsidiary of the Company received management service income of approximately HK$125,000 from a company controlled by a director of the Company for the provision of general administrative and corporate services. The director resigned from the position on 21 March 2006.

(c) A subsidiary of the Company received telecommunication revenue of HK$1,975,000 (2006: HK$2,055,000) from a subsidiary of Quants.

(d) In prior year, a subsidiary of the Company received entertainment media services revenue of HK$2,007,000 from a subsidiary of Quants.

The above service income were determined at market rate with reference to the cost incurred in provision of the services and the relationships between the parties.

(ii) Members of key management during the year comprised only of the executive directors whose remuneration is set out in note 9 to the financial statements.

36. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in notes 21 and 25, bank balances and cash disclosed in note 19 and equity attributable to equity holders of the company, comprising share capital, and reserves and accumulated losses disclosed in notes 23 and 24 and the consolidated statement of changes in equity, respectively.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio, representing the Group's debts divided by the equity attributable to equity holders of the Company, of 10-20%. Based on management's recommendations, the Group expects to increase its gearing ratio closer to 30% through the issue of new debts in the coming year.

36. CAPITAL RISK MANAGEMENT *(continued)*

The gearing ratio at the year end was as follows:

	2007 HK$'000	2006 HK$'000
Total debts	**20,550**	46,266
Equity attributable to equity holders of the Company	**150,808**	118,565
Gearing ratio	**13.6%**	39.0%

37. 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 risk and currency risk.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due within 60 days from the date of billing. Debtors with balances that are more than 2 months past due are normally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

At 31 December 2007, the Group has a concentration of credit risk as 39% and 83% (2006: 28% and 62%) respectively of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

37. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18 to the financial statements.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

37. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2007						
Bank loans	9,337	11,340	1,359	1,348	3,993	4,640
Convertible bonds	11,213	13,230	13,230	–	–	–
Trade payables, other payables, and accruals	18,022	18,022	18,022	–	–	–
	38,572	42,592	32,611	1,348	3,993	4,640
2006						
Bank loans	46,266	51,623	32,675	2,728	6,687	9,533
Obligations under finance leases	332,952	388,171	80,176	83,762	224,233	–
Trade payables, other payables and accruals	40,588	40,588	40,588	–	–	–
	419,806	480,382	153,439	86,490	230,920	9,533

Company	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
2007			
Convertible bonds	11,213	13,230	13,230
Other payables and accruals	3,052	3,052	3,052
	14,265	16,282	16,282
2006			
Bank loans	29,000	29,947	29,947
Other payables and accruals	2,657	2,657	2,657
	31,657	32,604	32,604

37. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and convertible bonds. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group's interest rate profile as monitored by management is set out below.

The following table details the interest rate profile of the Group's and the Company's net borrowings (as defined above) at the balance sheet date.

	Group			
	2007		2006	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed-rate borrowing				
Convertible bonds	17	11,213	N/A	–
Variable-rate borrowings				
Bank loans	4.6-11.25	9,337	5.75 -11.75	46,266
Obligations under finance leases	–	–	6.79	332,952
		9,337		379,218
Total borrowings		20,550		379,218
Fixed-rate borrowings as a percentage of total borrowings		54.6%		–

37. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk *(continued)*

	Company			
	2007		2006	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed-rate borrowing				
Convertible bonds	17	11,213	N/A	–
Variable-rate borrowings				
Bank loans	N/A	–	5.60-6.60	29,000
Total borrowings		11,213		29,000
Fixed-rate borrowings as a percentage of total borrowings		100%		–

The interest rates and terms of repayment of the Group's and the Company's borrowings are disclosed in notes 21, 22 and 25 to the financial statements.

Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation and accumulated losses by approximately HK$93,000 (2006: HK$463,000). Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

(d) Currency risk

Current risk to the Group is minimal as most of the Group's transactions are carried out in respective functional currencies of the Group entities.

(e) Price risk

The Group is not exposed to any equity securities risk or commodity price risk.

37. FINANCIAL RISK MANAGEMENT *(continued)*

(f) **Fair values**

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2006.

38. SIGNIFICANT NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) On 7 March 2008, S.I. Macau Entertainment Company Limited ("SIME"), a wholly-owned subsidiary of the Company, entered into a pageant hosting agreement with ING Co., Ltd. ("ING") and Asia and Pacific Media Limited ("APM") whereby ING and APM granted to SIME the rights in connection with the Miss International Pageant (the "Pageant"), including, inter alia, to host, produce and commercially exploit the Pageant for a term commencing from 24 December 2007 to 31 December 2008, which may be renewed annually up to 31 December 2012 at the discretion of SIME for an annual fee of US$3,000,000 (approximately HK$23,400,000) payable at the commencement of each calendar year.

(b) On 26 March 2008, the Company has received a notice from Quants, regarding the surrender of 80,000,000 options granted to Quants in November 2007 as underwriting commission in respect of the open offer and the Company has approved this surrender request.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2006 and 2007 may be categorised as follows:

	2007 HK$'000	2006 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	23,350	356,419
Financial liabilities		
Financial liabilities measured at amortised cost	33,794	415,233

40. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the prior year *(note 11)*.

FIVE YEARS FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements of the Group are summarised below:

	Year ended 31 December														
	2007			2006			2005			2004			2003		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation (restated)	Total	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results															
Turnover	40,155	4,909	45,064	35,330	97,905	133,235	94,241	–	94,241	38,842	9,424	48,266	4,905	39,248	44,153
Loss attributable to equity holders of the Company	(50,785)	(14,087)	(64,872)	(27,730)	(2,313)	(30,043)	(7,565)	–	(7,565)	(95,427)	(1,748)	(97,175)	(22,099)	(24,628)	(46,727)
Assets and Liabilities															
Total assets	196,001	1,645	197,646	189,869	354,076	543,945	319,491	–	319,491	171,135	–	171,135	237,178	24,982	262,160
Total liabilities and minority interests	43,432	1,363	44,795	79,751	345,625	425,376	184,427	–	184,427	122,795	–	122,795	114,440	10,078	124,518
Net assets	152,569	282	152,851	110,118	8,451	118,569	135,064	–	135,064	48,340	–	48,340	122,738	14,904	137,642

Notes :

During the year ended 31 December 2007, the Group has ceased media entertainment business in Japan.

During the years ended 31 December 2004 and 2003, the Group has ceased fire protection and suppression business in the Mainland China and Hong Kong respectively.

PARTICULARS OF MAJOR PROPERTIES

		Type	Lease term
Properties held for investment			
(1)	Shop A, Ground Floor, (including the external walls) Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	Commercial	Medium
(2)	Shop B, Ground Floor, (including the external walls, Loading and Unloading Bays Nos. U1 to U3, U9 and U10, 1st Floor and car parking space Nos. 22, 23, 33, 50 and 50A) Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	Commercial	Medium
(3)	Rooms 2101, 2105, 2108, 2301, 2307, 2310, 2501, 2504, 2510, 2601, 2604, 2610, 2701, 2704, 2705, 2706, 2707, 2710, 2711 and 2712 of Tower 2 Dragonfly Service Apartment, No. 199 Shishan Road, Suzhou New & Hi-tech District, Suzhou, Jiangsu Province, The People's Republic of China.	Residential	Medium