Sun Innovation Holdings Limited

Annual Report 2008

Sun innovation

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

Shu Lun Pan Horwath Hong Kong CPA Limited
20th Floor Central Plaza
18 Harbour Road
Wanchai
Hong Kong

SOLICITORS

Richards Butler
20th Floor
Alexandra House
16-20 Chater Road
Hong Kong

Hastings & Co.
5th Floor
Gloucester Tower
The Landmark
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 BANKERS

DBS Bank (Hong Kong) Limited
CITIC Ka Wah Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (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

BUSINESS REVIEW AND OUTLOOK

FINANCIAL REVIEW

For the year ended 31 December 2008, the turnover of the Group was HK$39,051,000, representing a decrease of 2.75% compared to that of last year (2007 continuing operation: HK$40,155,000). Loss for the year was approximately HK$107,209,000 (2007: HK$64,789,000). Due to the severe competition in leisure and entertainment events and media shopping industries and the declining financial markets in the year 2008, these factors have significant impact to the existing businesses of the Group.

Property Investment Segment

In the year under review, the Property Investment Segment generated stable income for the Group and recorded an increase in turnover of 11% to HK$6,065,000 (2007: HK$5,463,000), representing 16% of the Group's overall turnover during the review year. The profit of this Segment increased to HK$4,269,000, comparing to the last year. The increase was mainly due to the increase in renewed rental value.

The majority of properties of the Group located in Citicorp Centre in Hong Kong were leased out in 2008. In China, the Group held 20 service apartments in Suzhou, among which 14 out of the 20 apartments were rented out as at 31 December 2008. The Group has constantly reviewed the investment properties portfolio and rental mix of tenants in order to maximise the benefits to the shareholders.

Entertainment Media Segment

The turnover of the Entertainment Media Segment was HK$16,715,000, decreased by 34% (2007: HK$25,519,000). The loss of this Segment amounted to HK$657,000 (2007: HK$8,168,000). The decrease in turnover was mainly due to the discontinued operation of digital kiosk business in Japan and Hawaii in the year 2007.

The gross profit margin has improved as Cellcast (Asia) Limited ("Cellcast") switched the business model by using platform sales through telecommunication companies to reduce cost. Cellcast continues its leading position in the multi-media advertising, contents and services industries by operating the brand of Yeah Mobile and Ping Pong Boy, etc. Cellcast will diversify with more value added, competitive and customer oriented services to different customers in Hong Kong, Macau and overseas.

Leisure and Entertainment Events Segment

For the Leisure and Entertainment Events Segment, S.I. Macau Entertainment Company Limited ("SIME") had organised Miss Macau Pageant 2008 ("MM Pageant") and the 48th Miss International Pageant 2008 ("MI Pageant") on 7 September and 8 November 2008 respectively. The pageant events were great challenges to the Group in the year 2008 since the global economic environment became severe in the second half year. Due to the Beijing 2008 Olympic Games and Sichuan earthquake, the available funding from businesses partners or sponsors became very tight and difficult. The revenue of this Segment amounted to approximately HK$11,887,000 and loss of this business amounted to approximately HK$45,315,000. As the global and local business and financial environments have changed significantly since the fourth quarter of 2008, SIME did not renew the right for hosting the MI Pageant event for the year 2009.

BUSINESS REVIEW AND OUTLOOK

FINANCIAL REVIEW *(continued)*

Leisure and Entertainment Events Segment *(continued)*

The Group has difference in opinion with ING Co., Ltd. ("ING") in respect of ING's performance of the pageant hosting agreement dated 7 March 2008. All parties reached a consensus on the payment amount and schedule. On 17 April 2009, SIME signed a deed of settlement and variation with ING and Asia and Pacific Media Limited ("APM") (the "Deed") and SIME agreed to pay, in addition to the amount of annual fee already paid which amounted to US$700,000 (equivalent to approximately HK$5,460,000), US$1.45 million (equivalent to approximately HK$11,310,000) to APM, for itself and on behalf of ING, in full and final payment of the annual fee. The revised annual fee was reduced from US$3 million to US$2.15 million and the outstanding amount was US$1.45 million which was fully provided in the financial statements of the Group and grouped under the "trade payables" of the Consolidated Balance Sheet. Details of the terms of the Deed are disclosed in the Company's announcement dated 17 April 2009.

Media Shopping Segment

For the year under review, the turnover and loss of this Segment were approximately HK$2,413,000 (2007: HK$12,107,000) and approximately HK$1,882,000 (2007: HK$4,077,000) respectively. The substantial decrease in the turnover was caused by limitation to access the target customers, air time costs in various Chinese TV channels increased tremendously and also severe competition to obtain sufficient air time for promoting the merchandises and products to the customers in the first three quarters of 2008 because of the Beijing 2008 Olympic Games. However, the management utilised the strengths and synergy of this Segment for the MI Pageant under Leisure and Entertainment Events Segment. Through the business network connections and resources of this Segment, the Group has contracted with several TV channels in China for broadcasting the MI Pageant. These TV channels covered most of the major cities and provinces in China which could further promote the Group's image and business in China.

Telecommunication Segment

During the year under review, turnover from the Telecommunication Segment amounted to HK$1,971,000 (2007: HK$1,975,000). The Group holds user rights for a cable running between Japan and Hawaii and performed steadily by providing maintenance and support services to its bilateral correspondent in Japan.

Financial Services Segment

No turnover of this Segment was recorded for the year under review. The Group will continue to explore any potential business opportunities in 2009.

CAPITAL

The Company had issued two redeemable convertible bonds in the amount of HK$5,400,000 and HK$7,200,000 to Tackana Agents Limited ("Tackana CB") and Violet Profit Holdings Limited ("Violet Profit CB") respectively in March 2007. On 18 September 2008, the Company has fully redeemed the Tackana CB. On 26 September 2008, the Company entered into a supplemental subscription agreement (the "Supplemental Agreement") with Violet Profit to amend the maturity date, conversion price and redemption provision of the Violet Profit CB. The amendments were deemed as a new issue of convertible bond by the Stock Exchange of Hong Kong Limited although there was no raise of new capital or proceeds. Details of the Supplemental Agreement are disclosed in the Company's announcement dated 26 September 2008.

BUSINESS REVIEW AND OUTLOOK

POST BALANCE SHEET EVENTS

In March 2009, the Company announced a proposed capital reorganisation (the "Capital Reorganisation") which would involve: (i) a share consolidation of every 20 issued and unissued existing shares of HK$0.10 each into one consolidated share of HK$2.00 each; (ii) a capital reduction of each issued consolidated share from HK$2.00 to HK$0.01 by canceling HK$1.99 of the paid-up capital on each issued consolidated share; and (iii) a share subdivision of each authorised but unissued consolidated share of HK$2.00 each (including the unissued consolidated shares arising from the capital reduction) into 200 adjusted shares of HK$0.01 each. Details of the Capital Reorganisation (including the proposed open offer with details stated in the next paragraph of this section) are disclosed in the Company's announcement dated 24 March 2009.

On 19 March 2009, the Company entered into an underwriting agreement with Emperor Securities Limited (the "Underwriter") and Mr. Michele Matsuda, Chairman of the Company, in respect of an open offer on the basis of five offer shares for every one adjusted share (the "Open Offer"). Pursuant to the underwriting agreement, the Underwriter has agreed to fully underwrite not less than 367,510,185 offer shares but not more than 432,975,825 offer shares, which have not been taken up by the shareholders of the Company, at the subscription price of HK$0.15 per offer share. The Open Offer will proceed after completion of the Capital Reorganisation. Details of the Open Offer are disclosed in the Company's announcement dated 24 March 2009 as mentioned in the above paragraph.

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

The Group has diverse sources of financing, including internal funds generated from the Group's business operations, general banking facilities on secured basis, non-bank loans on unsecured basis and non-regular contributions from the shareholders and other potential investors. The Group continues to adopt conservative funding and treasury policies.

On 17 July 2008, the Group has revised the Hong Kong banking facilities by the forms of mortgage loan, revolving term loan and installment loan and the total banking facilities were increased to approximately HK$64 million. The repayment schedule was extended from twelve years to fifteen years.

As at 31 December 2008, the Group had banking facilities totalling approximately HK$64 million and unsecured revolving term loan facility of HK$20 million from a substantial shareholder. The Hong Kong banking facilities have been secured by the Group's Hong Kong investment properties with aggregate net book value of approximately HK$116 million, while the United States banking facility was secured by the personal guarantee of a director of the Company and an ex-director of a subsidiary up to the extent of HK$0.39 million. In addition, the Group and certain subsidiaries provided a bank of cross guarantees totalling HK$55 million in respect of a shared banking facility to be used by the Group and these subsidiaries. As at 31 December 2008, the available facilities were approximately HK$20 million.

BUSINESS REVIEW AND OUTLOOK

LIQUIDITY, FINANCE RESOURCES, CHARGES ON GROUP ASSETS AND GEARING RATIO *(continued)*

As at 31 December 2008, the Group has short-term bank loans of approximately HK$28 million and long-term bank loans of approximately HK$35 million, cash and bank balances of approximately HK$9 million. The Group also has short-term non-bank loans of HK$20 million. All bank loans were at floating interest rates and all non-bank loans were at fixed interest rates. Most of the borrowings were denominated in Hong Kong dollars ("HKD") and less than 1% of all borrowings were denominated in the United States dollars ("USD"). The maturity profile of the Group's bank borrowings as at 31 December 2008 was spread over a period of fifteen years, with approximately 45% repayable within one year, 9% repayable between two to five years and 46% repayable over five years.

In January 2009, the Group fulfilled the obligation by repayment of HK$10 million to a bank according to terms and conditions stated in one of the Hong Kong banking facilities.

The Group's current assets as at 31 December 2008 were approximately HK$28.2 million while the current liabilities were approximately HK$80 million. As at 31 December 2008, the Group's current ratio was 0.35 (at 31 December 2007: 0.92).

The Group's gearing ratio, representing the Group's bank loans, non-bank loans and convertible bond divided by the equity attributable to equity holders of the Company, as at 31 December 2008 is 198% (at 31 December 2007: 13.6%).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's turnover, expenses, assets and liabilities are denominated in HKD, Renminbi ("RMB"), Macau Pataca ("MOP"), USD and Japanese Yen ("JPY"). The exchange rates of MOP and USD against HKD remained relatively stable during the financial year under review. The Group has an exchange exposure to RMB because the Group's certain assets and business are located and operated in China and the revenues and expenses are in RMB. The Group is taking the view that the net exchange exposure from RMB appreciation will benefit the Group. Certain expenses of the Group incurred in JPY which has fluctuated in a relatively greater extent in the financial year under review. However, the amount of JPY expenses incurred are immaterial, the appreciation of the JPY against the HKD did not have material adverse effect on the operation of the Group for the financial year under review.

At present the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations involving RMB and JPY. However, the Group will constantly review the economic situation, development of each Segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

CONTINGENT LIABILITIES

As at 31 December 2008, 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 2008, the total headcount of the Group was 76.

PROSPECT

Due to the severe economy environment after the financial turmoil, the Group will rationalise and streamline the existing structures and operation. At the same time, the Group will continue to strengthen the existing property-related business and entertainment-related business. The Group will continue actively exploring various business opportunities, including the realisation of any property investments, if any, and may diversify the businesses for medium to long term development and benefit to our valued shareholders and investors.

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 is currently 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 2008.

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 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.

THE BOARD *(continued)*

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 2008, the Board comprised seven members, including three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Biographical details of the Directors are set out on pages 14 to 15.

During the year ended 31 December 2008, 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.

Board Meetings

Four Board meetings were held during the year ended 31 December 2008 and details of the Directors' attendance are set out below:

Directors	**Attendance/Number of Meetings**
Executive Directors	
Mr. Michele Matsuda *(Chairman)*	4/4
Mr. Leung To Kwong, Valiant	4/4
Mr. Shoichi Takaya (appointed on 28 May 2008 and resigned on 6 January 2009)	1/4
Non-executive Director	
Mr. Shinji Yamamoto	3/4
Independent Non-executive Directors	
Mr. Zhou Ji, Jason	4/4
Professor Chen Tien-yiu, Theodore	4/4
Mr. Wong Tak Shing	4/4

CORPORATE GOVERNANCE REPORT

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 assists the Board in discharging its duties and dealing with routine business of the Company and enhances 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.

NOMINATION COMMITTEE

The Nomination 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)*	1/1
Mr. Zhou Ji, Jason	1/1
Professor Chen Tien-yiu, Theodore	1/1
Mr. Wong Tak Shing	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 and the Nomination Committee will assist 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

The Remuneration 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 were two meetings 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)*	2/2
Mr. Michele Matsuda	1/2
Mr. Leung To Kwong, Valiant	0/2
Professor Chen Tien-yiu, Theodore	2/2
Mr. Wong Tak Shing	2/2

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

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	2/2
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 unaudited financial statements respectively.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Group for audit and non-audit services for the year ended 31 December 2008 amounted to HK$800,000 and HK$184,000 respectively.

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

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) leisure and entertainment events 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 2008 are set out in the consolidated income statement on page 24. The Board of Directors does not recommend payment of a final dividend (2007: HK$Nil).

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 2008.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK$1,020,000 (2007: HK$Nil).

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 2008 by DTZ Debenham Tie Leung Limited, an independent professional valuer. This valuation gave rise to net fair value losses of approximately HK$24,986,000 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 2008 are set out in notes 22 and 24 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
Shoichi Takaya (appointed on 28 May 2008 and resigned on 6 January 2009)

Non-executive Director:
Shinji Yamamoto

Independent Non-executive Directors:
Zhou Ji, Jason
Chen Tien-yiu, Theodore
Wong Tak Shing

In accordance with clauses 86(2) and 87(1) of the Company's Bye-Laws, Messrs. Shinji Yamamoto, Zhou Ji, Jason and Professor Chen Tien-yiu, Theodore 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 44, 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. Currently Mr. Matsuda is also the President of Quants Inc. which is a public company incorporated in Japan principally engaged in financial investment business and also a substantial shareholder of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

Executive Directors *(continued)*

Leung To Kwong, Valiant, aged 46, was appointed as Executive Director on 14 March 2003 and also appointed as Senior Executive Vice President on 13 October 2008. 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 27, 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 45, 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 since 1994. Mr. Zhou has acted as senior management of various finance companies in USA, Hong Kong and China. He now acts as the General Manager of the Department of Investment Banking of China Galaxy Securities Company Limited in Beijing, PRC.

Chen Tien-yiu, Theodore, aged 62, 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 in Canada 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 the 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 46, 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, 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 provisions 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 2008 which have been granted under the Option Scheme are as follows:

					No. of Share Options ('000)					
	Subscription price/share (before adjustment) (HK$)	Subscription price/share adjusted by Open Offer and Share Subdivision* (HK$)	Exercisable period	Option grant date	No. of options granted	No. of options held at 1 January 2008	No. of options granted during the year	No. of options exercised during the year	No. of options lapsed/ surrendered during the year	No. of options outstanding at 31 December 2008 (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	21,075	–	–	–	21,075
Yiu Ying Fai #1	3.255	0.309	26/05/2006 – 25/05/2008	26/05/2006	100	1,054	–	–	1,054	–
	1.900	0.180	10/01/2007 – 24/07/2008	10/01/2007	300	3,161	–	–	3,161	–
Leung To Kwong, Valiant	1.900	0.180	10/01/2007 – 09/01/2010	10/01/2007	300	3,161	–	–	–	3,161
Cheung Chi Fai, Frank #2	1.900	0.180	10/01/2007 – 28/11/2008	10/01/2007	300	3,161	–	–	3,161	–
Others										
Continuous Contract employees	1.900	0.180	10/01/2007 – 09/01/2009	10/01/2007	340	1,897	–	–	1,054	843
A consultant	3.965	0.376	19/01/2006 – 18/01/2008	19/01/2006	200	2,108	–	–	2,108	–
Quants Inc.	2.15	0.215	30/11/2007 – 30/5/2009	30/11/2007	8,000	80,000	–	–	80,000**	–

SHARE OPTION SCHEME *(continued)*

* 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").

** Quants Inc. surrendered 80,000,000 share options on 26 March 2008.

#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.

Particulars of the Company's Share Option Scheme are set out in note 24. No share option of the Company had been exercised during the year 2008.

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' INTERESTS IN SHARES

At 31 December 2008, 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%

DIRECTORS' INTERESTS IN SHARES *(continued)*

(2) Share options

Name of director	Capacity	Number of options held	Number of underlying ordinary share
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

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.

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 2008, 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 2008, 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, 20, 24, 29 and 32 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, 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 directors, 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	100,000,000	6.80%
Michele Matsuda	Beneficial owner & held by controlled corporation *(Note 2)*	80,570,000	5.48%

(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
Michele Matsuda	Beneficial owner *(Note 2)*	21,075,270	21,075,270

Notes:

1. Quants held 560,395,180 shares of HK$0.10 each and 164,076,800 warrants of the Company as at the date of this annual report.

2. Mr. Michele Matsuda held 21,075,270 options, 10,000 shares in his own name and 80,560,000 shares through e-Compact Limited, a company wholly owned by Anglo Japan Enterprises Limited and beneficially owned by him.

DIRECTORS' REPORT

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	31%
– five largest suppliers combined	75%
Sales	
– the largest customer	14%
– five largest customers combined	48%

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 8 to 12 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 35 to the financial statements.

AUDITORS

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited. The Company's auditors will change their name from Shu Lun Pan Horwath Hong Kong CPA Limited to Shu Lun Pan Hong Kong CPA Limited and will merge their business with BDO McCabe Lo Limited on 1 May 2009. On the same date, BDO McCabe Lo Limited will change their name to BDO Limited. As a result of these changes, a resolution will be proposed at the 2009 Annual General Meeting to appoint BDO McCabe Lo Limited (to be renamed as BDO Limited on 1 May 2009) as the Company's auditors and to authorise the Board to fix their remuneration.

On behalf of the Board

Michele Matsuda
Chairman

Hong Kong, 20 April 2009

INDEPENDENT AUDITORS' REPORT

Horwath®

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司
20th Floor Central Plaza
18 Harbour Road
Wanchai Hong Kong
Telephone: (852) 2526 2191
Facsimile: (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

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 financial statements of Sun Innovation Holdings Limited (the "Company") and its subsidiaries (thereafter referred to as the "Group") set out on pages 24 to 94, which comprise the consolidated and Company balance sheets as at 31 December 2008, and 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 the 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the 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 auditors' 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 auditors consider 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 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.

Without qualifying our opinion, we draw attention to Note 3 to the financial statements which indicates that the Group incurred a consolidated loss of HK$107,209,000 during the year ended 31 December 2008 and reported consolidated net current liabilities of HK$51,796,000 as at that date. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's success in implementing the measures as set out in Note 3 to improve its financial position and working capital.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

20 April 2009
Shiu Hong NG
Practising Certificate number P03752

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Continuing operations			
Turnover	5	**39,051**	40,155
Cost of sales and services		**(53,918)**	(22,609)
Gross (loss)/profit		**(14,867)**	17,546
Other income and gains	6	**11,794**	4,268
Selling and distribution expenses		**(8,109)**	(257)
Administrative expenses and other net operating expenses		**(67,247)**	(57,842)
Finance costs	8	**(4,742)**	(4,730)
Fair value losses on investment properties, net	14	**(24,986)**	(182)
Write-back of allowance/(additional allowance) for doubtful debts		**391**	(9,175)
Loss before taxation		**(107,766)**	(50,372)
Taxation	10	**557**	(330)
Loss for the year from continuing operations		**(107,209)**	(50,702)
Discontinued operation			
Loss for the year from discontinued operation	11	**–**	(14,087)
Loss for the year	7	**(107,209)**	(64,789)
Attributable to:			
Equity holders of the Company		**(107,117)**	(64,872)
Minority interests		**(92)**	83
		(107,209)	(64,789)
Dividend	23	**–**	–
Loss per share:	12		
From continuing and discontinued operations – Basic		**HK$(0.073)**	HK$(0.060)
From continuing operations – Basic		**HK$(0.073)**	HK$(0.047)

The accompanying notes form part of the financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*13*	3,609	4,252
Investment properties	*14*	140,820	164,440
Intangible assets	*15*	392	790
		144,821	169,482
Current assets			
Trading merchandise goods		69	37
Trade receivables, other receivables and prepayments	*17*	19,182	14,259
Bank balances and cash	*18*	9,000	13,868
		28,251	28,164
Current liabilities			
Trade payables, other payables and accruals	*19*	30,763	18,022
Bank and other borrowings	*20*	48,763	938
Convertible bonds	*21*	–	11,213
Tax payable		521	367
		80,047	30,540
Net current liabilities		(51,796)	(2,376)
Total assets less current liabilities		93,025	167,106
Non-current liabilities			
Bank and other borrowings	*20*	34,980	8,399
Convertible bond	*21*	5,664	–
Deferred tax liabilities	*10*	5,369	5,856
		46,013	14,255
Net assets		47,012	152,851

CONSOLIDATED BALANCE SHEET

at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Share capital	22	147,004	147,004
Reserves		(101,943)	3,804
Equity attributable to equity holders of the Company		45,061	150,808
Minority interests		1,951	2,043
Total equity		47,012	152,851

The financial statements were approved and authorised for issue by the Board of Directors on 20 April 2009 and are signed on its behalf by:

Michele Matsuda
DIRECTOR

Leung To Kwong, Valiant
DIRECTOR

The accompanying notes form part of the financial statements.

BALANCE SHEET

at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*13*	3	9
Interests in subsidiaries	*16*	111,106	156,230
		111,109	156,239
Current assets			
Other receivables and prepayments	*17*	5,645	891
Tax recoverable		–	37
Bank balances and cash		6,037	8,999
		11,682	9,927
Current liabilities			
Other payables and accruals	*19*	1,639	3,052
Bank and other borrowings	*20*	48,255	–
Convertible bonds	*21*	–	11,213
		49,894	14,265
Net current liabilities		(38,212)	(4,338)
Total assets less current liabilities		72,897	151,901
Non-current liabilities			
Bank and other borrowings	*20*	26,890	–
Convertible bond	*21*	5,664	–
Deferred tax liabilities	*10*	–	385
		32,554	385
Net assets		40,343	151,516
EQUITY			
Share capital	*22*	147,004	147,004
Reserves	*23*	(106,661)	4,512
Total equity		40,343	151,516

The financial statements were approved and authorised for issue by the Board of Directors on 20 April 2009 and are signed on its behalf by:

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

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

		Attributable to equity holders of the Company											
	Notes	Share capital HK$'000	Share premium HK$'000 *Note 23(i)*	Warrants reserve HK$'000 *Note 23(ii)*	Convertible bonds – equity component HK$'000 *Note 23(iii)*	Land and buildings revaluation reserve HK$'000 *Note 23(iv)*	Share option reserve HK$'000 *Note 23(v)*	Contributed surplus HK$'000 *Note 23(vi)*	Exchange fluctuation reserve HK$'000 *Note 23(vii)*	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
Expense recognised directly in equity – exchange differences		–	–	–	–	–	–	–	(355)	–	(355)	–	(355)
Loss for the year		–	–	–	–	–	–	–	–	(64,872)	(64,872)	83	(64,789)
Total recognised expense for the year		–	–	–	–	–	–	–	(355)	(64,872)	(65,227)	83	(65,144)
Issue of convertible bonds	*21*	–	–	–	4,826	–	–	–	–	–	4,826	–	4,826
Issue of shares upon conversion of convertible bonds	*22(c)(ii)*	10,000	10,000	–	(1,494)	–	–	–	–	–	18,506	–	18,506
Issue of shares on exercise of share options	*22(c)(i)*	80	122	–	–	–	(50)	–	–	–	152	–	152
Release upon lapse of share options		–	–	–	–	–	(4,858)	–	–	4,858	–	–	–
Issue of shares and warrants in placement	*22(c)(iii)*	10,000	4,200	500	–	–	–	–	–	–	14,700	–	14,700
Issue of shares and warrants in open offer	*22(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 payment expenses	*24(i)*	–	–	–	–	–	963	–	–	–	963	–	963
Deferred tax arising from equity component of convertible bonds	*10(b)*	–	–	–	(705)	–	–	–	–	–	(705)	–	(705)
Release upon disposal of subsidiaries	*25*	–	–	–	–	–	–	–	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

		Attributable to equity holders of the Company										
		Share capital	Share premium	Warrants reserve	Convertible bonds – equity component	Land and buildings revaluation reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Notes		*Note 23(i)*	*Note 23(ii)*	*Note 23(iii)*	*Note 23(iv)*	*Note 23(v)*	*Note 23(vii)*				
At 1 January 2008		147,004	50,008	2,191	2,627	7,355	7,933	(982)	(65,328)	150,808	2,043	152,851
Income recognised directly in equity – Exchange differences		–	–	–	–	–	–	1,370	–	1,370	–	1,370
Loss for the year		–	–	–	–	–	–	–	(107,117)	(107,117)	(92)	(107,209)
Total recognised income and expenses for the year		–	–	–	–	–	–	1,370	(107,117)	(105,747)	(92)	(105,839)
Redemption of convertible bond	*21*	–	–	–	(2,268)	–	–	–	2,268	–	–	–
Renewal of convertible bond	*21*	–	–	–	(359)	–	–	–	359	–	–	–
Release upon lapse and surrender of share options		–	–	–	–	–	(4,446)	–	4,446	–	–	–
At 31 December 2008		147,004	50,008	2,191	–	7,355	3,487	388	(165,372)	45,061	1,951	47,012

The accompanying notes form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Operating activities			
Loss before taxation:			
From continuing operations		(107,766)	(50,372)
From discontinued operation		–	(13,876)
Adjustments for:			
(Write-back of allowance)/additional allowance for doubtful debts		(391)	9,175
Provision for obsolete trading merchandise goods		243	165
Write-back of trade payable		(8,232)	–
Amortisation of intangible assets		394	395
Depreciation of property, plant and equipment		1,898	2,095
Loss on disposal of property, plant and equipment		6	599
Gain on disposal of subsidiaries	*25*	–	(9)
Gain on deemed disposal of a subsidiary		–	(3,007)
Net exchange gains		(232)	(1,676)
Fair value losses on investment properties, net		24,986	182
Fair value gain on derivative component of convertible bond	*21*	(2,623)	–
Equity-settled share-based payment expenses		–	963
Interest income		(38)	(172)
Finance costs		4,742	8,481
Operating cash flows before working capital changes		(87,013)	(47,057)
(Increase)/decrease in trading merchandise goods		(275)	1,614
(Increase)/decrease in trade receivables, other receivables and prepayments		(4,579)	2,109
Increase/(decrease) in trade payables, other payables and accruals		21,264	(873)
Cash used in operations		(70,603)	(44,207)
Interest paid		(1,569)	(6,536)
Hong Kong profits tax paid		–	(37)
Overseas tax refunded/(paid)		151	(618)
Net cash used in operating activities		(72,021)	(51,398)
Investing activities			
Interest received		38	172
Proceeds from disposal of property, plant and equipment		–	16
Payment of consideration for acquisition of a subsidiary		–	(15,878)
Purchase of property, plant and equipment		(1,222)	(1,084)
Net cash used in investing activities		(1,184)	(16,774)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
Financing activities		
New bank borrowings	85,000	12,530
New inception of other loans	21,000	–
Issue of shares on exercise of share options	–	152
Repayment of bank borrowings	(30,888)	(49,459)
Repayment of other loans	(1,000)	–
Repayment of convertible bond	(5,805)	–
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 financing activities	68,307	69,546
Net (decrease)/increase in cash and cash equivalents	(4,898)	1,374
Effect of foreign exchange rate changes	30	77
Cash and cash equivalents at the beginning of the year	13,868	12,417
Cash and cash equivalents at the end of the year	9,000	13,868
Represented by:		
Bank balances and cash	9,000	13,868

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

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 leisure and entertainment events, details of which are set out in Note 16.

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 adoption of HK(IFRIC) – Int 11 "HKFRS 2 – Group and treasury share transactions", HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on these financial statements.

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

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)

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

		Effective date
HKAS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedge items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(ii)

Effective date

(i) Annual periods beginning on or after 1 January 2009

(ii) Annual periods beginning on or after 1 July 2009

(iii) Annual periods beginning on or after 1 July 2008

(iv) Annual periods beginning on or after 1 October 2008

(v) Annual periods ending on or after 30 June 2009

(vi) Transfer of assets from customers received on or after 1 July 2009

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

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").

These financial statements have been prepared under the historical cost convention, as modified for investment properties and derivative component of convertible bonds which are carried at fair value.

These financial statements have been prepared on a going concern basis notwithstanding the fact that the Group recorded net current liabilities of HK$51.80 million as at 31 December 2008 and incurred loss of HK$107.21 million for the year then ended.

As further disclosed in Note 35, the Company announced a proposed open offer to raise not less than HK$55.13 million but not more than HK$64.95 million, before expenses.

As disclosed in Note 29(b), the Group's unsecured revolving loan facility of HK$20,000,000 from Quants Inc. ("Quants"), a substantial shareholder of the Company, has been renewed on 31 December 2008 for a period of 18 months from 1 January 2009 to 30 June 2010.

Moreover, the Group also planned to use its investment properties to refinance the existing banking facilities by long-term mortgage loans.

Based on the above, the directors of the Company are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

However, if the going concern basis were not to be appropriate, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Basis of consolidation

These 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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.

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.

Subsidiaries

Subsidiaries are entities 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 loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and 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.

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 estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. 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 item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value of investment properties are included in the profit or loss for the period in which they arise.

Intangible assets

Intangible assets are recorded at 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
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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets 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 for which the estimates of future cash flows have not been adjusted.

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 profit or loss.

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 profit or loss.

Trading merchandise goods

Trading merchandise goods 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.

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) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

ii) Impairment

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets 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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

iii) Effective interest method

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

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) Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option and redemption option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option and redemption option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity issued by the Group *(continued)*

ii) Convertible bonds (continued)

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

iii) Other financial liabilities

The Group's financial liabilities, including bank loans are classified as other financial liability 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) Effective interest method

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

v) 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.

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

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

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 when the Group has a present obligation (legal or constructive) 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Translation of foreign currencies *(continued)*

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.

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 option reserve until the share option expires when it is released directly to accumulated losses.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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, telecommunication services, leisure and entertainment events 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 collectability 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.

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.

Going concern

In determining whether the financial statements are prepared on a going concern basis, the Group has to exercise judgment on the sufficiency of working capital of the Group based upon (i) a proposed open offer to raise not less than HK$55.13 million but not more than HK$64.95 million, before expenses; (ii) the Group's unutilised unsecured revolving loan facility of HK$20 million; and (iii) a plan to use the Group's investment properties to refinance the existing banking facilities by long-term mortgage loans. Based on the above, the directors of the Company considered appropriate that the financial statements of the Group for the year ended 31 December 2008 are prepared on a going concern basis notwithstanding the fact that the Group recorded a net current liabilities position as at 31 December 2008 and incurred a loss for the year then ended.

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

Estimates and judgments *(continued)*

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 2008 was HK$1,860,000 (2007: HK$5,547,000). The amount of unrecognised tax losses at 31 December 2008 was HK$135,382,000 (2007: HK$64,696,000). Further details are set out in Note 10.

Estimated impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events of changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate had been changed.

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 option reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

5. TURNOVER AND SEGMENT INFORMATION

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

	2008 HK$'000	2007 HK$'000
Sale of goods	**2,413**	12,107
Rendering of services	**30,573**	27,494
Rental income	**6,065**	5,463
	39,051	45,064
Continuing operations	**39,051**	40,155
Discontinued operation *(Note 11)*	**–**	4,909
	39,051	45,064

Business segments

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

(i) property investment;
(ii) entertainment media;
(iii) media shopping;
(iv) telecommunication; and
(v) leisure and entertainment events.

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 2008					
	Property investment HK$'000	Entertainment media HK$'000	Media shopping HK$'000	Telecom-munication HK$'000	Leisure and entertainment events HK$'000	Total HK$'000
Turnover						
External sales	6,065	16,715	2,413	1,971	11,887	39,051
Segment results	4,269	(657)	(1,882)	10	(45,315)	(43,575)
Other income and gains						9,171
Unallocated corporate expenses						(46,648)
Write-back of allowance/ (additional allowance) for doubtful debts	(2)	419	(26)			391
Fair value losses on investment properties	(24,986)					(24,986)
Fair value gain on derivative component of convertible bond						2,623
Finance costs						(4,742)
Loss before taxation						(107,766)
Taxation						557
Loss for the year						(107,209)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	As at 31 December 2008					
	Property investment HK$'000	Entertainment media HK$'000	Media shopping HK$'000	Telecom-munication HK$'000	Leisure and entertainment events HK$'000	Total HK$'000
As at 31 December 2008						
Assets						
Segment assets	141,480	8,235	1,528	811	1,245	153,299
Unallocated assets						19,773
Total assets						173,072
Liabilities						
Segment liabilities	15,785	2,776	1,162	–	22,413	42,136
Unallocated liabilities						83,924
Total liabilities						126,060
For the year ended 31 December 2008						
Other information						
Additions to property, plant and equipment	–	618	211	–	–	829
Unallocated						393
						1,222
Segment depreciation	11	351	373	2	41	778
Unallocated depreciation						1,120
						1,898
Amortisation of intangible assets	–	–	–	394	–	394
Fair value losses on investment properties	24,986	–	–	–	–	24,986
(Write-back of allowance)/ additional allowance for doubtful debts	2	(419)	26	–	–	(391)
Imputed interest on convertible bonds						2,879

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

For the year ended 31 December 2007 (including continuing and discontinued operations)

	Property investment HK$'000	Entertainment media HK$'000	Media shopping HK$'000	Telecom-munication HK$'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	3,475	(8,168)	(4,077)	(53)		(8,823)
Other income and gains						4,352
Unallocated corporate expenses						(41,939)
Additional allowance for doubtful debts		(813)	(8,362)			(9,175)
Fair value losses on investment properties, net						(182)
Finance costs						(8,481)
Loss before taxation						(64,248)
Taxation						(541)
Loss for the year						(64,789)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

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	Total HK$'000
As at 31 December 2007					
Assets					
Segment assets	165,842	15,763	1,961	1,154	184,720
Unallocated assets					12,926
Total assets					197,646
Liabilities					
Segment liabilities	16,292	4,650	8,413	–	29,355
Unallocated liabilities					15,440
Total liabilities					44,795
For the year ended 31 December 2007					
Other information					
Additions to property, plant and equipment	35	337	90	–	462
Unallocated					622
					1,084
Segment depreciation	12	1,250	230	72	1,564
Unallocated depreciation					531
					2,095
Amortisation of intangible assets	–	–	–	395	395
Fair value losses on investment properties, net	(182)	–	–	–	(182)
Additional allowance for doubtful debts	–	813	8,362	–	9,175
Equity-settled share-based payment expenses					963
Imputed interest on convertible bonds					1,945

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments

During the year, the Group's operations and assets are located in Hong Kong, Macau, other regions in the People's Republic of China ("Mainland China") and the United States of America ("USA") on which the Group reports its secondary segment information.

During the prior year, Japan operation became a discontinued operation, details of which are set out in Note 11.

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

	For the year ended 31 December 2008					
	Hong Kong	Macau	Mainland China	USA	Elimination	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	21,446	11,887	3,747	1,971	–	39,051
Capital expenditure	686	325	211	–	–	1,222

	As at 31 December 2008					
	Hong Kong	Macau	Mainland China	USA	Elimination	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	143,882	1,245	26,468	1,477	–	173,072

	For the year ended 31 December 2007					
	Hong Kong	Mainland China	USA	Japan	Elimination	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'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	Mainland China	USA	Japan	Elimination	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	167,778	27,069	1,154	1,645	–	197,646

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

6. OTHER INCOME AND GAINS

	2008 HK$'000	2007 HK$'000
Interest income	38	172
Management service income	790	1,000
Write-back of trade payables#	8,232	–
Gain on deemed disposal of a subsidiary	–	3,007
Gain on disposal of subsidiaries *(Note 25)*	–	9
Fair value gain on derivative component of convertible bond *(Note 21)*	2,623	–
Others	111	164
	11,794	4,352
Attributable to continuing operations reported in the consolidated income statement	11,794	4,268
Attributable to discontinued operation *(Note 11)*	–	84
	11,794	4,352

\# During the year, the Group entered into an arrangement with the customers and a supplier regarding sales and purchases in the prior year such that the goods sold by the Group to the customers were returned to the supplier and the sales and purchases were cancelled. As at 31 December 2007, there was a full allowance for doubtful debts on the related gross trade receivables of HK$8,624,000. Pursuant to the above arrangement, the Group wrote off the gross trade receivables against the allowance for doubtful debts and the related trade payables of HK$8,232,000 was written back during the year accordingly.

7. LOSS FOR THE YEAR

	2008 HK$'000	2007 HK$'000
This is arrived at after charging/(crediting)[#]:		
Costs of sales and services *(note)*	53,918	22,609
Loss on disposal of property, plant and equipment	6	599
Net exchange gains	232	1,676
Auditors' remuneration:		
Current year	800	920
Overprovision in respect of prior years	–	(24)
Amortisation of intangible assets *(note)*	394	395
Depreciation of property, plant and equipment *(Note 13)*	1,898	2,095
Operating lease rentals in respect of rented premises	4,780	4,826
Provision for obsolete trading merchandise goods *(note)*	243	165
Staff costs:		
– Directors' remuneration *(Note 9)*	4,497	15,057
– Other staff costs:		
Salaries, wages and other benefits	27,139	24,364
Retirement benefit scheme contributions	589	324
Equity-settled share-based payment expenses *(Note 24)*	–	213
	32,225	39,958

[#] The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operation during the prior year.

Note: Cost of sales and services include HK$394,000 (2007: HK$395,000) and HK$243,000 (2007: HK$165,000) relating to amortisation expenses of intangible assets and provision for obsolete trading merchandise goods respectively, which amounts are also included in the respective total amounts disclosed separately above. The cost of services also included an annual fee of US$2,150,000 (equivalent to HK$16,693,000) for the right to host, produce and commercially exploit the Miss International Pageant for a term of 1 year ended 31 December 2008, and at the discretion of the Group to be renewed for up to four additional consecutive years until (and including) 31 December 2012.

The consolidated loss attributable to equity holders of the Company includes a loss of HK$111,173,000 (2007: a loss of HK$57,784,000) (Note 23) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

8. FINANCE COSTS

	Notes	2008 HK$'000	2007 HK$'000
Imputed interest on convertible bonds	21	**2,879**	1,945
Finance charges on obligations under finance leases		**–**	3,729
Interests on:			
Borrowings wholly repayable within five years		**1,064**	2,260
Borrowings not wholly repayable within five years		**799**	547
		4,742	8,481
Attributable to continuing operations reported in the consolidated income statement		**4,742**	4,730
Attributable to discontinued operation	11	**–**	3,751
		4,742	8,481

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The directors' remuneration is analysed as follows:

	2008 HK$'000	2007 HK$'000
Fees:		
Independent non-executive directors	540	312
Other emoluments paid to executive directors:		
Salaries and other benefits, net of waived benefits of HK$5,020,000 (2007: HK$Nil)	3,833	13,454
Bonuses	–	450
Equity-settled share-based payment expenses *(Note 24)*	–	750
Retirement benefit scheme contributions	124	91
	3,957	14,745
	4,497	15,057

No directors waived any remuneration in respect of the year ended 31 December 2007.

During the year, a director has waived his entitlement to benefits to the extent of HK$5,020,000 (2007: HK$Nil) in light of the current economic environment.

	2008 HK$'000	2007 HK$'000
Michele Matsuda		
– Salaries and other benefits	948	9,866
– Bonuses	–	450
– Retirement benefit scheme contributions	104	60
	1,052	10,376
Leung To Kwong, Valiant		
– Salaries and other benefits	1,443	1,427
– Equity-settled share-based payment expenses *(Note 24)*	–	250
– Retirement benefit scheme contributions	12	12
	1,455	1,689

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

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

Directors' remuneration *(continued)*

	2008 HK$'000	2007 HK$'000
Shoichi Takaya (Appointed on 28 May 2008)		
– Salaries and other benefits	**1,442**	–
– Retirement benefit scheme contributions	**8**	–
	1,450	–
Cheung Chi Fai, Frank (Resigned on 28 November 2007)		
– Salaries and other benefits	**–**	1,366
– Equity-settled share-based payment expenses *(Note 24)*	**–**	250
– Retirement benefit scheme contributions	**–**	11
	–	1,627
Yiu Ying Fai (Resigned on 25 July 2007)		
– Salaries and other benefits	**–**	795
– Equity-settled share-based payment expenses *(Note 24)*	**–**	250
– Retirement benefit scheme contributions	**–**	8
	–	1,053
Zhou Ji, Jason		
– Fee	**180**	104
Chen Tien-yiu, Theodore		
– Fee	**180**	104
Wong Tak Shing		
– Fee	**180**	104

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 years ended 31 December 2007 and 2008.

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

Five highest paid employees

The five highest paid individuals of the Group included three (2007: four) executive directors of the Company, details of whose emoluments are set out above. The remuneration of the remaining two (2007: one) highest paid employees, other than directors of the Company, is as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**2,652**	798
Retirement benefit scheme contributions	**76**	40
	2,728	838

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

	2008	2007
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	–

10. TAXATION

	2008 HK$'000	2007 HK$'000
(a) **Taxation in the consolidated income statement represents:**		
Current taxation – overseas		
Current year	**182**	257
(Overprovision)/underprovision in respect of prior years	**(196)**	196
Deferred taxation		
Attributable to the origination and reversal of temporary differences *(note (b))*	**(543)**	358
Resulting from a change in tax rate in Hong Kong *(note (b))*	**–**	(270)
	(557)	541

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

10. TAXATION *(continued)*

Taxation for overseas subsidiaries has been calculated on the estimated assessable profits for the years ended 31 December 2007 and 2008 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 (2007: HK$Nil).

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

	2008 HK$'000	2007 HK$'000
Loss before taxation (including loss from discontinued operation)	**(107,766)**	(64,248)
Taxation calculated at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	**(17,781)**	(11,243)
Tax effect of expenses not deductible for tax purposes	**2,739**	10,507
Tax effect of income not taxable for tax purposes	**(3,418)**	(3,642)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**196**	(3,559)
(Overprovision)/underprovision in respect of prior years	**(196)**	196
Tax effect on utilisation of previously unrecognised tax losses and other deductible temporary differences	**(116)**	(417)
Tax effect of unused tax losses and other deductible temporary differences not recognised	**18,445**	8,646
Tax effect of recognition of deductible temporary differences previously not recognised and write-off of deferred tax assets	**–**	293
Effect on opening deferred tax resulting from decrease in Hong Kong profits tax rate	**–**	(270)
Others	**(426)**	30
Taxation (credit)/charge for the year	**(557)**	541
Represented by:		
Tax (credit)/charge attributable to continuing operations reported in the consolidated income statement	**(557)**	330
Tax charge attributable to discontinued operation *(Note 11)*	**–**	211
Taxation (credit)/charge for the year	**(557)**	541

10. TAXATION *(continued)*

(b) 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 2007	(3,000)	(8,548)	6,552	–	(4,996)
Effect of change in tax rate *(note (a))*	157	472	(359)	–	270
(Charge)/credit to consolidated income statement for the year *(note (a))*	(40)	8	(646)	320	(358)
Charge to equity for the year *(Note 21)*	–	–	–	(705)	(705)
Exchange fluctuation	–	(67)	–	–	(67)
At 31 December 2007	(2,883)	(8,135)	5,547	(385)	(5,856)
(Charge)/credit to consolidated income statement for the year *(note (a))*	(306)	4,151	(3,687)	385	543
Exchange fluctuation	–	(56)	–	–	(56)
At 31 December 2008	(3,189)	(4,040)	1,860	–	(5,369)

Company

	Convertible bond HK$'000
At 1 January 2007	–
Credit for the year	320
Charge to equity for the year *(Note 21)*	(705)
At 31 December 2007	(385)
Credit for the year	385
At 31 December 2008	–

10. TAXATION *(continued)*

(b) 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 purpose:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax liabilities	**(7,229)**	(11,403)	**–**	(385)
Deferred tax assets	**1,860**	5,547	**–**	–
	(5,369)	(5,856)	**–**	(385)

At the balance sheet date, the Group has unused tax losses of HK$146,657,000 (2007: HK$98,140,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$11,275,000 (2007: HK$33,444,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$135,382,000 (2007: HK$64,696,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$9,924,000 (2007: HK$9,924,000) that will expire in twenty years since respective dates of incurrence and tax losses of HK$4,050,000 (2007: HK$754,000) that will expire in five years 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$1,665,000 (2007: HK$1,578,000). 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 was no other material unprovided deferred tax liability as at 31 December 2007 and 2008.

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"), a shareholder of the Company, 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, were 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 prior year. Loss for the year from discontinued operation was presented as follows:

	Notes	2007 HK$'000
Turnover	*5*	4,909
Other income	*6*	75
Selling and distribution expenses		(1,180)
Administrative expenses		(13,938)
Operating loss		(10,134)
Finance costs	*8*	(3,751)
Loss before taxation		(13,885)
Gain on disposal of subsidiaries	*6*	9
Loss before taxation from discontinued operation		(13,876)
Taxation	*10*	(211)
Loss for the year from discontinued operation		(14,087)
Cash flows used in discontinued operation		
Net cash flows used in operating activities		(8,668)
Net cash flows used in financing activities		(45)
Net cash outflows		(8,713)
Basic loss per share from discontinued operation		HK$(0.013)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

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 share subdivision during the prior year.

The calculation of the basic loss per share is based on:

	Year ended 31 December	
	2008	2007
	HK$'000	HK$'000
From 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	**(107,117)**	(64,872)

	Number of shares	
	2008	2007
Weighted average number of ordinary shares for the purpose of basic loss per share:		
Number of issued ordinary shares at 1 January	1,470,040,740	90,173,056
Effect of open offer and share subdivision	–	866,849,649
Effect of shares issued through placement, exercise of share options and conversion of convertible bonds during the year	–	126,703,340
Weighted average number of ordinary shares as at 31 December	1,470,040,740	1,083,726,045

	Year ended 31 December	
	2008	2007
	HK$'000	HK$'000
From 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	(107,117)	(64,872)
Less: Loss for the year from discontinued operation	–	14,087
Loss for year for the purpose of basic loss per share from continuing operations	(107,117)	(50,785)

Diluted loss per share for the years ended 31 December 2007 and 2008 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

		Group			Company
	Notes	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000	Furniture, fixtures and equipment HK$'000
COST					
As at 1 January 2007		19,013	187	19,200	40
Additions		1,084	–	1,084	–
Disposal, liquidation and deregistration of subsidiaries	25	(64)	–	(64)	–
Disposals		(678)	–	(678)	–
Exchange fluctuation		97	15	112	–
As at 31 December 2007		19,452	202	19,654	40
Additions		1,222	–	1,222	–
Disposals		(456)	–	(456)	–
Exchange fluctuation		25	10	35	–
As at 31 December 2008		20,243	212	20,455	40
ACCUMULATED DEPRECIATION					
As at 1 January 2007		13,344	22	13,366	23
Depreciation charge for the year	7	2,057	38	2,095	8
Disposal, liquidation and deregistration of subsidiaries	25	(28)	–	(28)	–
Disposals		(63)	–	(63)	–
Exchange fluctuation		30	2	32	–
As at 31 December 2007		15,340	62	15,402	31
Depreciation charge for the year	7	1,856	42	1,898	6
Disposals		(450)	–	(450)	–
Exchange fluctuation		(8)	4	(4)	–
As at 31 December 2008		16,738	108	16,846	37
CARRYING AMOUNT					
As at 31 December 2008		3,505	104	3,609	3
As at 31 December 2007		4,112	140	4,252	9

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

14. INVESTMENT PROPERTIES

Group

	HK$'000
FAIR VALUE	
At 1 January 2007	163,001
Exchange fluctuation	1,621
Fair value losses, net	(182)
At 31 December 2007	164,440
Exchange fluctuation	1,366
Fair value losses	(24,986)
At 31 December 2008	140,820

Investment properties were valued at 31 December 2008 by DTZ Debenham Tie Leung Limited, an independent firm of 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$24,986,000 (2007: net fair value losses of HK$182,000) which has been recognised in the consolidated income statement. The deferred tax credit of HK$4,151,000 (2007: HK$8,000 (Note 10)) arising from the current year valuation, have been charged to the consolidated 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$6,065,000 (2007: HK$5,463,000). Direct operating expenses arising on the investment properties in the year amounted to HK$1,483,000 (2007: HK$1,440,000).

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

The Group's certain investment properties have been pledged to secure banking facilities granted to the Group (Note 29 (a)(ii)).

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

	2008 HK$'000	2007 HK$'000
Mainland China		
– medium term leases	**24,820**	24,240
Hong Kong		
– medium term leases	**116,000**	140,200
	140,820	164,440

15. INTANGIBLE ASSETS

Group

	Notes	Cable use rights HK$'000	Licensing rights HK$'000	Total HK$'000
COST				
As at 1 January 2007		3,636	22,363	25,999
Liquidation and deregistration of subsidiaries	*25*	–	(22,363)	(22,363)
Exchange fluctuation		13	–	13
As at 31 December 2007		3,649	–	3,649
Exchange fluctuation		(24)	–	(24)
As at 31 December 2008		3,625	–	3,625
ACCUMULATED AMORTISATION				
As at 1 January 2007		2,455	8,776	11,231
Charge for the year	*7*	395	–	395
Liquidation and deregistration of subsidiaries	*25*	–	(8,776)	(8,776)
Exchange fluctuation		9	–	9
As at 31 December 2007		2,859	–	2,859
Charge for the year	*7*	394	–	394
Exchange fluctuation		(20)	–	(20)
As at 31 December 2008		3,233	–	3,233
CARRYING AMOUNT				
As at 31 December 2008		392	–	392
As at 31 December 2007		790	–	790

All of the Group's cable use rights 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 and services" in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

16. INTERESTS IN SUBSIDIARIES

Company

	2008 HK$'000	2007 HK$'000
Unlisted shares/investments, at cost	**11,737**	11,737
Loans to subsidiaries	**47,000**	47,000
Amounts due from subsidiaries	**795,007**	740,057
	853,744	798,794
Less: allowance for amounts due from subsidiaries	**(742,638)**	(642,564)
	111,106	156,230

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

The amounts due from subsidiaries are unsecured and interest-free. The loans to subsidiaries are unsecured and interest-bearing at prime rate plus 1.5% (2007: prime rate plus 1.5%) per annum.

An allowance for amounts due from subsidiaries of HK$742,638,000 (2007: HK$642,564,000) was recognised as at 31 December 2008 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 amounts of the related amounts due therefrom are reduced to their recoverable amounts.

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2008 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	British Virgin Islands/ Hong Kong	US$45,525	–	82.38%	Provision of content and information services
Cellcast Technology (Shenzhen) Limited (i)	Mainland China	HK$1,000,000	–	100%	De-registered
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%	Dormant
Drive Media (BVI) Limited	British Virgin Islands	US$1	–	100%	Investment holding
Drive USA Inc.	USA	US$10	–	100%	Investment holding and provision of management services
FilMacau Company Limited (ii)	Macau	MOP$25,000	–	100%	Dormant
Foreign Equity Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

16. INTERESTS IN SUBSIDIARIES *(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	
Katharsis Trading Limited	Mainland China	RMB1,010,000	–	100%	Provision of T.V. shopping services
Media Elite Limited	British Virgin Islands	US$16,000	–	100%	Dormant
Media Elite HK Limited	Hong Kong	HK$100	–	100%	Dormant
Million Year Consultants Limited	British Virgin Islands/Mainland China	US$1	–	100%	Holding investment properties in Mainland China
New Multimedia Limited	British Virgin Islands	US$1	–	100%	Dormant
S.I. Corporate Services Limited	Hong Kong	HK$100	–	100%	Provision of corporate services
S.I. Finance Group Limited	British Virgin Islands	US$100	100%	–	Investment holding
S.I. Hotel Investments Limited	British Virgin Islands/ Hong Kong	US$2	100%	–	Investment holding
S.I. Hotel (Project Management) Limited	Hong Kong	HK$1	–	100%	Project management
S.I. Investments Limited	Hong Kong	HK$10,000	–	100%	Provision of advisory services

16. INTERESTS IN SUBSIDIARIES *(continued)*

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group Direct	Indirect	Nature of business
S.I. Investments and Finance Limited	Hong Kong	HK$100	–	100%	Dormant
S.I. Macau Entertainment Company Limited	British Virgin Islands/Macau	US$1	100%	–	Leisure and entertainment events
S.I. Promotions Limited (iii)	Macau	MOP$25,000	–	100%	Leisure and entertainment events
S.I. Entertainment Investment (801) Limited (formerly known as "S.I. Hotel Properties (Macau) Limited") (iii)	British Virgin Islands	US$1	100%	–	Dormant
S.I. Media Shopping Limited	Hong Kong	HK$1	–	100%	Dormant
S.I. TV Shopping (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
S.I. Travel Group Limited (iii)	British Virgin Islands	US$1	100%	–	Dormant
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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

16. INTERESTS IN SUBSIDIARIES *(continued)*

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group Direct	Effective equity interest attributable to the Group Indirect	Nature of business
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/ Hong Kong	US$1	–	100%	Investment holding
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/ Hong Kong	US$1	–	100%	Investment holding
Wide Profit Enterprises Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
廣州市泓亮商務有限公司	Mainland China	RMB100,000	–	100%	Provision of customer services

Notes:

(i) Cellcast Technology (Shenzhen) Limited was a wholly owned foreign enterprise established in Mainland China and was deregistered on 4 January 2009.

(ii) FilMacau Company Limited was disposed effectively on 1 March 2009.

(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.

17. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables, net of allowance	**5,979**	8,303	**–**	–
Other receivables and prepayments	**13,203**	5,956	**5,645**	891
	19,182	14,259	**5,645**	891

(i) The directors consider that the carrying amounts of trade receivables, other receivables and prepayments approximate their fair values as at 31 December 2007 and 2008.

No interest is charged on trade receivables.

(ii) The Group normally allows an average credit period of 60 to 90 days to trade customers. The ageing analysis of the Group's trade receivables, net of allowance for doubtful debts, based on the due date was as follows:

	2008	2007
	HK$'000	HK$'000
Current	**1,948**	1,829
31 to 60 days	**1,195**	3,168
61 to 90 days	**853**	1,463
Over 90 days	**1,983**	1,843
	5,979	8,303

At 31 December 2008, the Group's trade receivables of HK$512,000 (2007: HK$9,480,000) 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$512,000 (2007: HK$9,480,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

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

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

	Group	
	2008 HK$'000	2007 HK$'000
At 1 January	**9,480**	–
(Write-back of allowance)/ additional allowance for doubtful debts	**(391)**	9,175
Write-off of irrecoverable trade receivables	**(8,624)**	–
Exchange fluctuation	**47**	305
At 31 December	**512**	9,480

(iv) As at 31 December 2007 and 2008, the Group's trade receivables that are neither individually nor collectively considered to be impaired were not past due.

18. BANK BALANCES AND CASH

As at 31 December 2008, included in the bank balances and cash of the Group was an amount of HK$82,000 (2007: HK$650,000) which is 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.

19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**20,695**	9,033	**–**	–
Other payables and accruals	**10,068**	8,989	**1,639**	3,052
	30,763	18,022	**1,639**	3,052

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

The directors consider that the carrying amounts of trade payables, other payables and accruals approximate their fair values as at 31 December 2007 and 2008.

The ageing analysis of the Group's trade payables is as follows:

	2008	2007
	HK$'000	HK$'000
Current	**359**	722
31 to 60 days	**19,047**	208
61 to 90 days	**493**	56
Over 90 days	**796**	8,047
	20,695	9,033

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

20. BANK AND OTHER BORROWINGS

The borrowings are repayable as follows:

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Bank loans:				
On demand or within one year	**28,468**	938	**27,960**	–
After one year but within two years	**1,215**	974	**700**	–
In the second to fifth years inclusive	**4,705**	3,163	**3,100**	–
Over five years	**29,060**	4,262	**23,090**	–
	63,448	9,337	**54,850**	–
Other loans:				
On demand or within one year	**20,295**	–	**20,295**	–
	83,743	9,337	**75,145**	–
Less: Amounts due within one year shown under current liabilities	**(48,763)**	(938)	**(48,255)**	–
Amount due for settlement after one year	**34,980**	8,399	**26,890**	–

The bank loans are secured by certain investment properties of the Group (Note 14), cross guarantees given by certain subsidiaries of the Group and personal guarantee of a director of the Company and an ex-director of a subsidiary, further details are disclosed in Note 29(a). The bank loans bear floating interest rates at effective rates ranging from 2.85% to 11.25% (2007: 4.6% to 11.25%) per annum and have maturity date falling within 2009 to 2023. Except for a Group's bank loan of HK$134,000 (2007: HK$172,000) 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 2007 and 2008.

Other loans are unsecured, interest bearing at 25% per annum and repayable within three to nine months from the respective drawn dates of the loan agreements.

21. CONVERTIBLE BONDS

(a) On 13 February 2007, the Company entered into a subscription agreement with Tackana Agents Limited ("Tackana") pursuant to which Tackana subscribed a 5% redeemable convertible bond of the Company in an aggregate principal amount of HK$5.4 million. The maturity date of the convertible bond was 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 in November 2007 (Note 22(c)) of the Company, the adjusted conversion price per share and adjusted number of shares to be converted were HK$1.708 and 3,161,290 respectively. The adjusted conversion price per share and the adjusted number of shares to be converted were further adjusted after the share subdivision in December 2007 to HK$0.171 and 31,612,900 respectively.

On 18 September 2008, the Company fully redeemed the above convertible bond.

(b) On 14 February 2007, the Company entered into a subscription agreement with Violet Profit Holdings Limited ("Violet Profit") pursuant to which Violet Profit subscribed a 5% redeemable convertible bond (the "Original Bond") of the Company in an aggregate principal amount of HK$7.2 million. The maturity date of the convertible bond was 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 Original Bond was issued on 13 March 2007. After the open offer in 2007 (Note 22(c)) of the Company, the adjusted conversion price per share and adjusted number of shares to be converted were HK$1.708 and 4,215,054 respectively. The adjusted conversion price per share and the adjusted number of shares to be converted were further adjusted after the share subdivision in December 2007 to HK$0.171 and 42,150,540 respectively.

On 26 September 2008, the Company and Violet Profit entered into a supplemental subscription agreement (the "Supplemental Agreement") pursuant to which the parties agreed that the Company would pay interest in respect of the total principal amount of Original Bond at the interest rate at 5% per annum calculated up to and including 12 September 2008. The amendments to the Original Bond amended by the Supplemental Agreement in substance constitutes an issue of a new convertible bond (the "New Bond") to Violet Profit. The maturity date of the New Bond is 18 months from the original maturity date with a right to convert the whole or part of the principal amount of the New Bond into conversion shares, in multiples of 2,000,000 conversion shares. The conversion price is HK$0.105, subject to adjustment as stated in the terms and conditions in the original subscription agreement for subdivision of consolidation of shares issued and other events with dilution effect.

The exercise of conversion option embedded in the New Bond would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The embedded derivative of conversion option is therefore accounted for as a financial liability. The principal of HK$7,200,000 from the issue of the New Bond have been split into liability and derivative components. On issue of the New Bond, the fair value of the derivative component is determined using an option pricing model and this amount is carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value on the issue date and any subsequent changes in fair value of the derivative component as at the balance sheet date are recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

21. CONVERTIBLE BONDS *(continued)*

The movements of the liability component, equity component and derivative component of the convertible bonds during the years ended 31 December 2007 and 2008 are as follows:

	Liability component of convertible bonds HK$'000	Equity component of convertible bonds HK$'000	Derivative component of convertible bonds HK$'000	Total HK$'000
At the issuance date	27,774	4,826	–	32,600
Conversion into ordinary shares *(Note 22(c)(ii))*	(18,506)	–	–	(18,506)
Issue of shares upon conversion of convertible bond *(Note 22(c)(ii))*	–	(1,494)	–	(1,494)
Deferred tax arising from equity component of convertible bonds *(Note 10)*	–	(705)	–	(705)
Effective interest expense recognised *(Note 8)*	1,945	–	–	1,945
At 31 December 2007	11,213	2,627	–	13,840
Renewal of convertible bond	–	(359)	–	(359)
Redemption of convertible bonds and related interest	(5,805)	(2,268)	–	(8,073)
Derivative component upon the issue of the New Bond	(3,003)	–	3,003	–
Fair value gain *(Note 6)*	–	–	(2,623)	(2,623)
Effective interest expense recognised *(Note 8)*	2,879	–	–	2,879
At 31 December 2008	5,284	–	380	5,664

Interests on the convertible bonds for the years ended 31 December 2007 and 2008 are calculated using the effective interest method by applying the effective interest rate of 17% and 50.41% per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

21. CONVERTIBLE BONDS *(continued)*

The fair value of the derivative component of the convertible bond is determined taking into account the valuation performed by BMI Appraisals Limited using the Binomial Option Pricing Model with the major inputs as at 12 September 2008 and 31 December 2008 as follows:

	12 September 2008	**31 December 2008**
Share price	HK$0.11	HK$0.036
Exercise price	HK$0.105	HK$0.105
Volatility	99.55%	132.13%
Risk free rate	1.74%	1.64%

During the year, there was a significant decrease in the share price of the Company, and accordingly, the fair value of the derivative component of the convertible bond decreased, resulting in a fair value gain of approximately HK$2,623,000 (2007: HK$Nil).

22. SHARE CAPITAL

	Number of ordinary shares		**Amount**	
	2008	2007	**2008 HK$'000**	2007 HK$'000
Authorised ordinary shares:				
As at 1 January 2008 of HK$0.1 each and 1 January 2007 of HK$1 each	**7,300,000,000**	730,000,000	**730,000**	730,000
Subdivision of shares *(note (a))*	**–**	6,570,000,000	**–**	–
As at 31 December 2007 and 2008 of HK$0.1 each	**7,300,000,000**	7,300,000,000	**730,000**	730,000
Issued and fully paid ordinary shares:				
As at 1 January 2008 of HK $0.1 each and 1 January 2007 of HK$1 each	**1,470,040,740**	90,173,056	**147,004**	90,173
Issue of ordinary shares *(note (c))*	**–**	56,831,018	**–**	56,831
Subdivision of shares *(note (a))*	**–**	1,323,036,666	**–**	–
As at 31 December 2007 and 2008 of HK$0.1 each	**1,470,040,740**	1,470,040,740	**147,004**	147,004

As at 31 December 2008 and 2007, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

22. 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 was 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 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 were 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 was a transaction cost directly attributable to the open offer (Note 24(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 were set out in the Company's circular and prospectus dated 23 October 2007 and 9 November 2007 respectively.

23. RESERVES

	Share premium HK$'000 *(Note (i))*	Warrants reserve HK$'000 *(Note (ii))*	Convertible bonds – equity component HK$'000 *(Note (iii))*	Share option reserve HK$'000 *(Note (v))*	Contributed surplus HK$'000 *(Note (vi))*	Accumulated losses HK$'000	Total HK$'000
Company							
At 1 January 2007	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 22(c)(ii))*	10,000	–	(1,494)	–	–	–	8,506
Issue of shares on exercise of share options *(Note 22(c)(i))*	122	–	–	(50)	–	–	72
Release upon lapse of share options	–	–	–	(4,858)	–	4,858	–
Issue of shares and warrants in placement *(Note 22(c)(iii))*	4,200	500	–	–	–	–	4,700
Issue of shares and warrants in open offer *(Note 22(c)(iv))*	17,139	1,691	–	3,442	–	–	22,272
Transfer of contributed surplus to accumulated losses#	–	–	–	–	(181,858)	181,858	–
Recognition of equity-settled share-based payment expenses *(Note 24(i))*	–	–	–	963	–	–	963
Deferred tax arising from equity component of convertible bonds	–	–	(705)	–	–	–	(705)
Loss for the year *(Note 7)*	–	–	–	–	–	(57,784)	(57,784)
At 31 December 2007	50,008	2,191	2,627	7,933	–	(58,247)	4,512

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

23. RESERVES *(continued)*

	Share premium HK$'000 *(Note (i))*	Warrants reserve HK$'000 *(Note (ii))*	Convertible bonds – equity component HK$'000 *(Note (iii))*	Share option reserve HK$'000 *(Note (v))*	Accumulated losses HK$'000	Total HK$'000
Company						
At 1 January 2008	50,008	2,191	2,627	7,933	(58,247)	4,512
Redemption of convertible bond *(Note 21)*	–	–	(2,268)	–	2,268	–
Renewal of convertible bond *(Note 21)*	–	–	(359)	–	359	–
Release upon lapse and surrender of share options	–	–	–	(4,446)	4,446	–
Loss for the year *(Note 7)*	–	–	–	–	(111,173)	(111,173)
At 31 December 2008	50,008	2,191	–	3,487	(162,347)	(106,661)

[#] 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.

Notes:

(i) **Share premium**
The application of the share premium account is governed by Section 40 of Bermuda Companies Act 1981.

(ii) **Warrants reserve**
This reserve represents placing of unlisted warrants of 5 million at HK$0.1 per each and issuance of 16,905,460 warrants in open offer at HK$0.1 per each in 2007.

(iii) **Convertible bonds – equity component**
This reserve represents the value of the unexercised equity component of convertible notes issued by the Group in 2007.

(iv) **Land and buildings revaluation reserve**
Land and buildings revaluation reserve arose in 2005 upon the fair value adjustment when the Group's then land and buildings changed to investment properties.

(v) **Share option reserve**
This reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible persons, including any full time employee, director of the Company and its subsidiaries, recognised in accordance with the accounting policy in Note 3 "Share-based payments".

23. RESERVES *(continued)*

Notes: (continued)

(vi) **Contributed surplus**

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.

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.

(vii) **Exchange fluctuation reserve**

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, mainly denominated in Renminbi. The reserve is dealt with in accordance with the accounting policy in Note 3 "Translation of foreign currencies".

No dividend was declared or paid during the year (2007: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

24. 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 provisions 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 2008, options have already been granted to employees, executive directors, 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 (Note 7) was charged to the consolidated income statement in prior year.

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 expenses were recognised as a transaction cost of HK$3,442,000 charged to share premium account (Note 22(c)(iv)). After the share subdivision in December 2007, the number of options and exercise price of the options granted to Quants were adjusted to 80,000,000 and HK$0.215 each respectively. On 26 March 2008, the Company received a notice from Quants, regarding the surrender of the 80,000,000 options granted to Quants and the Company agreed this surrender.

During the year, 10,538,000 share options were lapsed, while 80,000,000 share options were surrendered. Accordingly, the share-based payment expenses of HK$1,004,000 previously recognised in the share option reserve was also released to accumulated losses.

(ii) Options granted under general mandate

No option was granted under general mandate during the year (2007: HK$Nil).

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

Movements of share options of the Company during the years ended 31 December 2007 and 2008 are as follows:

	Number of Share Options									
	Outstanding as at 1.1.2007 '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	Outstanding as at 31.12.2007 and 1.1.2008 '000	Lapsed during 2008 '000	Surrendered during 2008 '000	Outstanding as at 31.12.2008 '000
Category:										
2002 Option Scheme *(note i)*										
Directors	2,000	300	–	–	123	21,813	24,236	–	–	24,236
Ex-directors*	100	600	–	–	38	6,638	7,376	(7,376)	–	–
Employees	80	340	(80)	(160)	10	1,707	1,897	(1,054)	–	843
Consultants	520	–	–	(320)	11	1,897	2,108	(2,108)	–	–
Quants	–	8,000	–	–	–	72,000	80,000	–	(80,000)	–
	2,700	9,240	(80)	(480)	182	104,055	115,617	(10,538)	(80,000)	25,079
Weighted average exercise price	5.668	2.12	1.90	5.78	–	–	0.276	0.232	0.215	0.490
Total number of share options	2,700	9,240	(80)	(480)	182	104,055	115,617	(10,538)	(80,000)	25,079

* Remark: The ex-directors included Mr. Yiu Ying Fai and Mr. Cheung Chi Fai, Frank who resigned on 25 July 2007 and 28 November 2007 respectively.

In the prior year, 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. The option outstanding at the end of the year had a weighted average remaining contractual life of 5.52 years (2007: 2.45 years).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

25. DISPOSAL, LIQUIDATION AND DEREGISTRATION OF SUBSIDIARIES

In 2008, 惠州泓開商務諮詢有限公司, a wholly-owned subsidiary of the Company, was deregistered. As it was dormant up to the date of deregistration, there is no material impact on the Group's financial statements.

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.

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

	Notes	**2008 HK$'000**	2007 HK$'000
Property, plant and equipment	*13*	–	36
Intangible assets	*15*	–	13,587
Finance lease receivables, trade receivables, other receivables and prepayments		–	328,726
Obligation under finance leases, trade payables, other payables and accruals		–	(342,358)
Tax payable		–	(5)
Net identifiable assets and liabilities		–	(14)
Release of exchange fluctuation reserve		–	5
Gain on disposal of subsidiaries	6	–	9
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		–	–

The subsidiary deregistered during the year ended 31 December 2008 did not have any contribution to either the Group's turnover or the Group's operating results.

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

26. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2007, Cellcast (Asia) Limited, a 99.93%-owned subsidiary as at 31 December 2006, settled accounts payable of 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 82.38%-owned subsidiary of the Company.

27. 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 HK$713,000 (2007: HK$415,000).

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. No further payment obligations once the contribution has been made.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

28. OPERATING LEASE COMMITMENTS

(i) As at 31 December 2008, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group			
	Land and buildings		Equipment	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**4,064**	2,183	**15**	25
Later than one year and not later than five years	**2,120**	1,879	**17**	32
	6,184	4,062	**32**	57

	Company	
	2008	2007
	HK$'000	HK$'000
Not later than one year	**542**	336

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

(ii) As at 31 December 2008, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Investment properties	
	2008	2007
	HK$'000	HK$'000
Not later than one year	**3,471**	4,356
Later than one year and not later than five years	**1,422**	4,239
	4,893	8,595

The investment properties have committed tenants for an average term of three years.

29. CREDIT FACILITIES, PLEDGE OF ASSETS AND GUARANTEES

(a) As at 31 December 2008, the Group had aggregate banking facilities of HK$64,085,000 (2007: HK$69,921,000) from banks for guarantees and loans. The bank facilities are secured by:

(i) cross guarantees totalling HK$55,000,000 (2007: 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) certain investment properties of the Group with a total carrying value of HK$116,000,000 (2007: all investment properties HK$164,440,000) as at 31 December 2008 (Note 14).

(iii) personal guarantee of a director of the Company and an ex-director of a subsidiary up to the extent of HK$390,000 (2007: 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 above facility of HK$20,000,000 from Quants was renewed on 31 December 2008 for a period of 18 months from 1 January 2009 to 30 June 2010.

30. 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.

31. CAPITAL COMMITMENT

The Group and the Company did not have any significant capital commitment as at 31 December 2007 and 2008.

32. 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, 20, 24 and 29, are as follows:

(a) A subsidiary of the Company received management service income of HK$786,000 (2007: HK$989,000) from Quants and its subsidiary for the provision of general administrative and corporate services.

(b) A subsidiary of the Company received telecommunication revenue of HK$1,971,000 (2007: HK$1,975,000) from a subsidiary of Quants.

The above service income was 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.

33. 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 20 and 21, bank balances and cash disclosed in Note 18 and equity attributable to equity holders of the company, comprising share capital, and reserves and accumulated losses disclosed in Notes 22 and 23 and the consolidated statement of changes in equity, respectively.

The Group's risk management reviews the capital structure on a semi-annual basis. The Group will consider both debt financing and equity financing, for its capital requirement. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

34. 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 2008, the Group has a concentration of credit risk as 38% and 75% (2007: 39% and 83%) respectively of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

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 17.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

34. FINANCIAL RISK MANAGEMENT *(continued)*

(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.

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
2008						
Bank loans	63,448	72,698	29,618	2,070	7,045	33,965
Other loans	20,295	22,718	22,718	–	–	–
Convertible bond	5,664	7,740	–	7,740	–	–
Trade payables, other payables and accruals	30,763	30,763	30,763	–	–	–
	120,170	133,919	83,099	9,810	7,045	33,965
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

34. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

Company	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
2008						
Bank loans	54,850	62,161	28,863	1,324	4,843	27,131
Other loans	20,295	22,718	22,718	–	–	–
Convertible bond	5,664	7,740	–	7,740	–	–
Other payables and accruals	1,639	1,639	1,639	–	–	–
	82,448	94,258	53,220	9,064	4,843	27,131
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	–	–	–

Further analysis on the liquidity risk of the Group is set out in Note 3.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

34. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk *(continued)*

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			
	2008		2007	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed-rate borrowing				
Other loans	25	20,295	–	–
Convertible bonds	50.41	5,664	17	11,213
		25,959		11,213
Variable-rate borrowings				
Bank loans	2.85 – 11.25	63,448	4.6-11.25	9,337
Total borrowings		89,407		20,550
Fixed-rate borrowings as a percentage of total borrowings		29.0%		54.6%

	Company			
	2008		2007	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed-rate borrowing				
Other loans	25	20,295		–
Convertible bonds	50.41	5,664	17	11,213
		25,959		11,213
Variable-rate borrowings				
Bank loans	2.91 – 5.75	54,850	N/A	–
Total borrowings		80,809		11,213
Fixed-rate borrowings as a percentage of total borrowings		32.1%		100%

34. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk *(continued)*

The interest rates and terms of repayment of the Group's and the Company's borrowings are disclosed in Notes 20 and 21.

Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by HK$876,000 (2007: HK$93,000). 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 2007.

(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 price risk or commodity price risks, except for the fair value of derivative component of convertible bond.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

35. SIGNIFICANT NON-ADJUSTING POST BALANCE SHEET EVENTS

On 24 March 2009, the Company made an announcement in connection with (i) the proposed capital reorganisation which involves consolidation of every 20 issued and unissued existing shares of HK$0.10 each into 1 consolidated share of HK$2.00 each ("Consolidated Share"); the reduction of issued share capital whereby the par value of each issued Consolidated Share will be reduced from HK$2.00 to HK$0.01 by cancelling HK$1.99 of the paid-up capital on each issued Consolidated Share; the subdivision of each authorised but unissued Consolidated Share of HK$2.00 each into 200 adjusted shares of HK$0.01 each ("Adjusted Shares"); the transfer of the credit arising from the capital reduction to the contributed surplus account of the Company; and the application of the entire balance of the contributed surplus account of the Company to offset against the accumulated losses as permitted by the laws of Bermuda and the Bye-Laws; and (ii) conditional upon the Capital Reorganisation becoming effective, the proposed issue of offer shares to the qualifying shareholders on the basis of 5 offer shares for every 1 Adjusted Share held on the record date at the subscription price of HK$0.15 per each offer share to raise not less than HK$55.13 million but not more than HK$64.95 million, before expenses. Further details are set out in the Company's announcement dated 24 March 2009.

36. 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 2007 and 2008 may be categorised as follows:

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**18,326**	23,350
Financial liabilities		
Financial liabilities measured at amortised cost	**117,076**	33,794

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														
	2008			2007			2006			2005			2004		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation (restated)	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	39,051	–	39,051	40,155	4,909	45,064	35,330	97,905	133,235	94,241	–	94,241	38,842	9,424	48,266
Loss attributable to equity holders of the Company	(107,117)	–	(107,117)	(50,785)	(14,087)	(64,872)	(27,730)	(2,313)	(30,043)	(7,565)	–	(7,565)	(95,427)	(1,748)	(97,175)
Assets and Liabilities															
Total assets	173,072	–	173,072	196,001	1,645	197,646	189,869	354,076	543,945	319,491	–	319,491	171,135	–	171,135
Total liabilities and minority interests	126,060	–	126,060	43,432	1,363	44,795	79,751	345,625	425,376	184,427	–	184,427	122,795	–	122,795
Net assets	47,012	–	47,012	152,569	282	152,851	110,118	8,451	118,569	135,064	–	135,064	48,340	–	48,340

Notes:

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

During the year ended 31 December 2004, 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)	Room 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 Republic of China	Residential	Medium