2010 Annual Report

Sun Innovation Holdings Limited

Incorporated in Bermuda with limited liability

Stock Code: 547

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Mr. Zhou Jian *(Chairman)*
Mr. Fan Lei
Ms. Lau Cheong *
Mr. Duan Xiongfei *
Mr. Tam Tak Kei, Raymond *

* *Independent non-executive directors*

AUDIT COMMITTEE

Mr. Duan Xiongfei *(Chairman)*
Ms. Lau Cheong
Mr. Tam Tak Kei, Raymond

REMUNERATION COMMITTEE

Mr. Fan Lei *(Chairman)*
Ms. Lau Cheong
Mr. Duan Xiongfei
Mr. Tam Tak Kei, Raymond

NOMINATION COMMITTEE

Ms. Lau Cheong *(Chairlady)*
Mr. Fan Lei
Mr. Duan Xiongfei
Mr. Tam Tak Kei, Raymond

COMPANY SECRETARY

Ms. Chow Fung Ling

AUDITORS

BDO Limited
25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

SOLICITOR

Reed Smith Richards Butler
20th Floor
Alexandra House
18 Chater Road
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 1818-23, 18th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08 Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
CITIC Bank International Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank Limited

WEBSITE

www.suninnovation.com

STOCK CODE

547

BUSINESS REVIEW AND OUTLOOK

FINANCIAL REVIEW

The financial performance of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2010 had been improved steadily compared to last year after the re-allocation of resources among the existing business segments of the Group during the year of 2010. The turnover (including both continuing and discontinued operations) of the Group for the year ended 31 December 2010 was HK$30,526,000 (2009: HK$17,776,000), representing an increase of 72% compared to that of last year. The turnover from the continuing operations of the Group for the year ended 31 December 2010 was HK$25,204,000 (2009: HK$6,024,000), representing a substantial increase of 318% compared to that of last year. The increase of turnover was due to the expansion of Trading Segment in Hong Kong. Loss of the Group from both continuing and discontinued operations for the year ended 31 December 2010 amounted to approximately HK$32,145,000 (2009: HK$63,028,000) while the loss of the Group from the continuing operations for the year ended 31 December 2010 was substantially reduced to approximately HK$21,804,000 (2009: HK$55,734,000). The loss reduced was mainly because of the reduction of administrative expenses and finance costs and the absence of significant loss on disposal of subsidiaries occurred in last year.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: HK$Nil).

Property Investment Segment

The turnover and the profit of this Segment for the year ended 31 December 2010 were HK$4,896,000 (2009: HK$5,968,000) and HK$3,771,000 (2009: HK$4,226,000) respectively. The turnover represented 16% of the Group's overall turnover during the year under review. Since this Segment disposed of the leasing properties (20 service apartments) in Suzhou, PRC in May 2009 and there was a vacant period during the change of tenants of the investment property located at Citicorp Centre in Hong Kong in early 2010, the turnover and profit decreased accordingly when compared to those of last year. All shops and majority of car parks at Citicorp Centre were leased out as at 31 December 2010. The Group would review the existing investment properties portfolio and might explore potential profitable investments in Hong Kong, PRC and/or Asia Pacific region.

Trading Segment (previously known as "Media Shopping Segment")

Commencing from April 2010, the Group had developed and expanded the operation of this Segment in Hong Kong by establishing a trading wing between Hong Kong/Mainland China and the United States of America by trading the metal scraps (e.g. copper wire). In the fourth quarter of the year 2010, this Segment expanded its business to trade red wines in Hong Kong. However, the Guangzhou operation of this Segment remained dormant during the year under review.

The turnover of this Segment for the year ended 31 December 2010 recorded approximately HK$20,308,000 (2009: HK$56,000) which represented 67% of the turnover of the Group for the year under review. The turnover of this Segment has grown steadily since its expansion in the year of 2010. Its customers are located in Hong Kong and the Mainland China. The profit of this Segment for the year ended 31 December 2010 was HK$674,000 (2009: loss of HK$2,379,000).

BUSINESS REVIEW AND OUTLOOK

DISCONTINUED BUSINESSES

Entertainment Media Segment, Telecommunication Segment and Leisure and Entertainment Events Segment

Further to the disclosure in the Interim Report 2010 of the Company, the Company had continued its efforts to assess, rationalise and where necessary scale down certain unprofitable business operations of the Group. In December 2010, the Company announced that it would not continue to finance and would over time cease the Entertainment Media Segment and the Telecommunication Segment accordingly. Details of the announcement were published on 20 December 2010 (the "Announcement"). Therefore, the Company had ceased the financial and operational supports to the aforesaid discontinued segments accordingly.

The Entertainment Media Segment engaged in mobile entertainment business and provided multi-media advertising, mobile contents and platform solution services. Due to the performance of the Entertainment Media Segment which had deteriorated tremendously during the year 2010, in order to deploy the internal resources of the Group effectively in the best interest of the Company's shareholders, the Board of Directors of the Company made the decision and the Announcement was published. The turnover of the Entertainment Media Segment for the year ended 31 December 2010 was HK$5,322,000 (2009: HK$9,567,000), representing 44% decrease compared with last year while the loss of this Segment for the year ended 31 December 2010 amounted to HK$7,556,000 (2009: HK$3,213,000), representing 135% increase compared with last year.

The Telecommunication Segment has been dormant since the termination of services by a Japan customer in November 2009. There was no turnover recorded for the year ended 31 December 2010 (2009: HK$1,800,000). The Board of Directors decided to re-allocate the resources and focus more on those bolstering business segments of the Group, as a result, the Telecommunication Segment was discontinued in end of December 2010.

For the Leisure and Entertainment Events Segment, since its operation had been dormant since the year end of 2009, there was no turnover recorded for the year ended 31 December 2010 (2009: HK$385,000). The loss of this Segment for the year ended 31 December 2010 was HK$418,000 (2009: HK$3,534,000), which were mainly the expenses for termination of office in Macau. The Company also decided to discontinue this Segment in the year ended 31 December 2010 in order to focus on the other bolstering business segments of the Group in the year of 2011.

CAPITAL

During the year of 2010, two holders of the convertible bonds ("CBs") of the Company in the aggregate principle amount of HK$5,000,000 exercised their rights and converted the whole amount of the aforesaid CBs in to 125,000,000 shares of the Company in aggregate. Details of the conversion were announced in the Company's Monthly Return of Equity Issuer on Movements in Securities for the months ended 30 June 2010 and 30 November 2010 respectively.

As at 31 December 2010, the total number of issued shares of the Company was 8,882,685,768 shares and there were outstanding CBs in the principal amount of HK$38,000,000 and the holder of which is entitled to convert into 950,000,000 shares of the Company during the conversion period of the CBs.

BUSINESS REVIEW AND OUTLOOK

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 (such as placement of shares or issuance of convertible bonds or financing by shareholder's loans) from the shareholders and other potential investors. The Group continues to adopt conservative funding and treasury policies.

The Group has banking facilities in forms of mortgage loan and instalment loans. These banking facilities were secured by the Group's investment properties with aggregate net book value of HK$118 million. In addition, the Company and certain subsidiaries provided a bank of cross guarantees totalling HK$55 million in respect of these banking facilities to be used by the Company and these subsidiaries.

In addition to the banking facilities mentioned above, an indirectly-owned subsidiary of the Group, among the Entertainment Media Segment which was discontinued in end of December 2010, had obtained a banking facility amounted to HK$6 million from a bank in Hong Kong in October 2009 which consisted of a 5-year instalment loan. This facility was granted under the Special Loan Guarantee Scheme of The Government of the Hong Kong Special Administrative Region ("the Government") pursuant to which, the Government had provided 80% guarantee to the bank. A corporate guarantee was provided to the bank by an intermediate subsidiary of the Company which held the aforesaid indirectly-owned subsidiary. On 20 December 2010, the Company announced that it would not provide further financial assistance to the Entertainment Media Segment. As a result, operation of the aforesaid subsidiary has been discontinued since end of December 2010.

As at 31 December 2010, the Group had banking facilities totally amounted to approximately HK$55 million. All bank loans were at floating interest rates. All the borrowings were denominated in Hong Kong dollars. According to the Hong Kong Interpretation 5 issued by the Hong Kong Institute of Certified Public Accountant in November 2010, all bank loans even with the agreed scheduled repayments dates that longer than 12 months from the year-end date should be classified as "current liabilities" if there was a "repayment on demand clause" in the banking facilities. According to this interpretation, all bank loans of the Group were classified as "current liabilities" as at 31 December 2010 and the respective figures for last financial year were also reclassified under the same interpretation. For details, please refer to note 2(a) of Notes to the Financial Statements. According to the agreed scheduled repayments dates, the maturity profile of the Group's bank borrowings as at 31 December 2010 was spread over a period of 13 years, with approximately 14% repayable within one year, 20% repayable between two to five years and 66% repayable over five years. The cash and bank balances as at 31 December 2010 was approximately HK$261 million.

The Group's current assets were approximately HK$270 million while the current liabilities were approximately HK$96 million as at 31 December 2010. As at 31 December 2010, the Group's current ratio was 2.8 (at 31 December 2009 (restated): 4.7).

As at 31 December 2010, the Group's gearing ratio, representing the Group's bank loans, non-bank loans (if any) and convertible bonds divided by the equity attributable to owners of the Company was 31% (at 31 December 2009: 30%).

BUSINESS REVIEW AND OUTLOOK

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's turnover, expenses, assets and liabilities were denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB"), Macau Pataca ("MOP"), United States dollars ("USD") and Japanese Yen ("JPY"). The exchange rates of MOP and USD against HKD remained relatively stable during the financial year under review. Certain expenses of the Group incurred in RMB or JPY which had fluctuated in a relatively greater extent in the financial year under review. However, the amount of RMB or JPY expenses incurred were immaterial, the appreciation of RMB and JPY against 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 business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

CONTINGENT LIABILITIES

As at 31 December 2010, the Company did not have any outstanding litigation case. In end of July 2010, the Company had obtained the court's approval and order, in our favour, to strike out a dormant litigation case, which was commenced by a bank against a bankrupted third party and joint venture for outstanding balance of overdraft facilities and subsequently the defendants had served a third party notice to the Company.

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 2010, the total headcount of the Group was 26.

PROSPECT

During the year of 2010, the Group had rationalised and closed down the unprofitable and/or dormant business operations. Through the persistent efforts of the Directors of the Company, the Group strives to improve the existing businesses and has established and developed new income streams in the Trading Segment. The Group re-allocates its internal resources effectively towards bolstering of the growing business segments and will continue to implement stringent cost control in the existing business segments. The Company believes that it is on the right track and shall be ready to get out of the dark haze of its history in order to confront with the new era enthusiastically.

Looking forward to the year of 2011, the Group will actively explore and identify various potential business opportunities and will diversify its businesses and investments which are beneficial to the valued shareholders and investors of the Company.

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 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 during the financial year of 2010 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;

2. There is no separation of the role of the Chairman and the Chief Executive Officer ("CEO"). Mr. Zhou Jian is the Chairman of the Company and the Company does not have any officer with the title of CEO. The roles and functions of CEO are performed by all the executive directors collectively in view of the current size of the Group. The Board will periodically review such arrangement and may adopt appropriate measures in future during the further development of the Group's businesses; and

3. The independent non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and eligible for re-election at the annual general meeting pursuant to the Company's Bye-laws and the CG Code. The service contracts of all the independent non-executive directors have a termination notice requirement of one month.

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 2010.

INTERNAL CONTROL

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system of the Group. It has carried out an annual review of the existing implemented system and procedures, including control measures of financial, operational and legal compliance and risk management functions.

CORPORATE GOVERNANCE REPORT

THE BOARD

Responsibilities

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

The Board acknowledges its responsibility for preparing the financial statements of the Company and the Group which give a true and fair view of the Group's affairs in accordance with statutory requirements and applicable accounting standards. The statement by the auditors of the Company about their reporting responsibilities for the financial statements of the Company is set out on pages 22 to 23 in the Independent Auditors' Report.

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

Composition

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

As at 31 December 2010, the Board comprised five members, including two Executive Directors and three Independent Non-executive Directors. Biographical details of the Directors are set out on page 14.

During the year ended 31 December 2010, 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/her 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 (if the number is not a multiple of three, the number nearest to but not greater than one-third) of the Directors (including executive and non-executive directors) shall retire each year. The Directors to be retired each year shall be those appointed by the Board during the year and those who are the longest in office since their election or re-election. A retiring Director is eligible for re-election.

THE BOARD *(continued)*

Board Meetings

Four Board meetings were held during the year ended 31 December 2010 and details of the Directors' attendance are set out below:

Directors	**Attendance/Number of Meetings**
Executive Directors	
Mr. Zhou Jian *(Chairman)*	4/4
Mr. Fan Lei	4/4
Mr. Lo Ming Chi, Charles (resigned on 1 March 2010)	0/4
Independent Non-Executive Directors	
Ms. Lau Cheong	4/4
Mr. Duan Xiongfei	4/4
Mr. Tam Tak Kei, Raymond	4/4

DELEGATION BY THE BOARD

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

Therefore, the Board has established four committees, namely, the Executive Committee, the Audit Committee, the Nomination Committee and the Remuneration 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 enhance the effectiveness and efficiency of day-to-day operation of the Company. The members are mainly the Executive Directors of the Company. There is no minimum meeting requirement and this Committee shall meet as and when necessary for proper discharge of its duties.

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors with Mr. Duan Xiongfei as the chairman of this Committee.

The main duties of the Audit Committee are to consider the appointment, resignation or dismissal of the external auditors, to review and monitor the external auditors' independence and the effectiveness of the audit process and to discuss with the external auditors the nature and scope of the audit. It is also responsible for reviewing: (i) the half-yearly and annual financial statements before submission to the Board and (ii) the Company's financial control, internal control and risk management 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.

AUDIT COMMITTEE *(continued)*

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. Duan Xiongfei *(Chairman)*	2/2
Ms. Lau Cheong	2/2
Mr. Tam Tak Kei, Raymond	2/2

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

NOMINATION COMMITTEE

As at 31 December 2010, the Nomination Committee consisted of Mr. Fan Lei, the Executive Director, and Ms. Lau Cheong, Mr. Duan Xiongfei and Mr. Tam Tak Kei, Raymond, the Independent Non-executive Directors. Ms. Lau Cheong is the chairlady of the Nomination Committee.

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
Ms. Lau Cheong *(Chairlady)*	1/1
Mr. Fan Lei	1/1
Mr. Duan Xiongfei	1/1
Mr. Tam Tak Kei, Raymond	1/1
Mr. Lo Ming Chi, Charles (resigned on 1 March 2010)	0/1

NOMINATION COMMITTEE *(continued)*

During the year under review, the Nomination Committee reviewed the structure, size and composition of the Board of Directors of the Company and also reviewed and assessed the independence of all Independent Non-executive Directors.

REMUNERATION COMMITTEE

As at 31 December 2010, the Remuneration Committee consisted of Mr. Fan Lei, Executive Director, and Ms. Lau Cheong, Mr. Duan Xiongfei and Mr. Tam Tak Kei, Raymond, all Independent Non-executive Directors. Mr. Fan Lei 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 the 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.

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

Remuneration Committee Members	**Attendance/Number of Meeting**
Mr. Fan Lei *(Chairman)*	1/1
Ms. Lau Cheong	1/1
Mr. Duan Xiongfei	1/1
Mr. Tam Tak Kei, Raymond	1/1
Mr. Lo Ming Chi, Charles (resigned on 1 March 2010)	0/1

During the year under review, the Remuneration Committee reviewed the existing human resources policies of the Group and the compliance of the human resources policies during the period from 1 January 2010 to 30 June 2010.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors in respect of audit services provided to the Group for the year ended 31 December 2010 amounted to HK$680,000 and there was no non-audit service provided by the external auditors for the year then ended.

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the continuing operations, including: (i) property investment business and (ii) trading business.

During the year under review, the discontinued operations included: (i) entertainment media business, (ii) leisure and entertainment events business and (iii) telecommunication business.

The Company had scaled down the unprofitable business operations of the Group. The Board of Directors had decided not to continue to finance and would cease the entertainment media business, the performance of which continued to deteriorate, and the dormant telecommunication business. Details of the update on business plans were announced in the Company's announcement dated 20 December 2010.

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 2010 are set out in the consolidated income statement on page 24. The Board of Directors does not recommend payment of a final dividend (2009: HK$Nil).

RESERVES

Details of the movements in reserves of the Group and the Company are set out in the consolidated statement of changes in equity and Note 23 to the financial statements respectively.

In view of the losses sustained by the Company, distributable reserves of the Company at 31 December 2010 amounted to HK$49,510,000 solely comprised of contributed surplus.

CHARITABLE DONATIONS

There was no donation made by the Group during the year (2009: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

Investment properties were valued at their open market value at 31 December 2010 by DTZ Debenham Tie Leung Limited, an independent firm of professionally qualified valuers. The valuation gave rise to fair value gain amounted to HK$2,000,000 (2009: HK$Nil).

SHARE CAPITAL

Details of movements in the Company's issued share capital and options during the year and outstanding as at 31 December 2010 are set out in Notes 22 and 24 to the financial statements respectively.

DIRECTORS

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

Executive Directors
Zhou Jian
Fan Lei
Lo Ming Chi, Charles (resigned on 1 March 2010)

Independent Non-executive Directors
Lau Cheong
Duan Xiongfei
Tam Tak Kei, Raymond

In accordance with clause 87(1) of the Company's Bye-laws, Mr. Duan Xiongfei will retire and, being eligible, to offer himself 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 Independent Non-executive Directors have no specific term of office but their service contracts have a termination notice requirement of one month.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS

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

Executive Directors

Zhou Jian, aged 42, was appointed as Executive Director on 21 July 2009 and was re-designated as the Chairman on 18 September 2009. Mr. Zhou graduated from E.M. Lyon in France with a Master's Degree in Business Administration. He has over 10 years' experience in operation, administrative affairs and strategic planning. Mr. Zhou is currently an executive director of Jiayou Home Shopping Co., Ltd. which has been granted an approval from the State Administration of Radio Film and Television in the PRC for carrying out trading business on television and multimedia in the PRC. He was an executive director of Hi Sun Technology (China) Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 818).

Fan Lei, aged 37, was appointed as Executive Director on 21 July 2009. Mr. Fan graduated from Wuhan University with a Bachelor's Degree in Economics with major in investment economics. He has more than 10 years of experience in banking industry including asset management in the PRC. He is currently the Chief Investment Director of Beijing Changhe Century Asset Management Limited.

Independent Non-executive Directors

Lau Cheong, aged 27, was appointed as Independent Non-executive Director on 21 July 2009. Ms. Lau holds a Master's Degree in Public Policy and Management and a Bachelor's Degree in Business Administration from University of Southern California. She obtained three broker qualifications in the United States of America and previously worked in Morgan Stanley & Co. Incorporated. She is currently the President of Ponticello International Group Incorporated.

Duan Xiongfei, aged 42, was appointed as Independent Non-executive Director on 21 July 2009. Mr. Duan holds a Master's Degree in Economics from Renmin University of China and a Master's Degree in Business Administration from University of Chicago. He is an associated member of National Futures Association in the United States of America and has over 15 years of experience in securities trading and investment industry. Mr. Duan is currently the Managing Partner of Shanghai Ruiyue Capital Management, Inc. and the Partner of Guarda Capital Management, Inc. in Canada which qualifies as a registered commodity trading advisor in the United States of America.

Tam Tak Kei, Raymond, aged 47, was appointed as Independent Non-executive Director on 10 September 2009. Mr. Tam holds a Bachelor of Arts Degree in Accounting with Computing from University of Kent at Canterbury, England and is a Chartered Accountant in Hong Kong and England and Wales. He is also an associate member of the Hong Kong Institute of Certified Public Accountants. Currently, Mr. Tam is the financial controller of an international law firm and has over 25 years of professional accounting experience.

SHARE OPTION SCHEME

The Company adopted its share option scheme on 16 May 2002 ("the Option Scheme"), 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. Apart from the Option Scheme, the Company did not have any other share option scheme.

During the year under review, the Company did not grant any options to any person and therefore, as at 31 December 2010 there was no outstanding options to subscribe for any shares of the Company under the Option Scheme.

(1) **Purpose**

To provide the participants with the opportunity to acquire proprietary interests in the Company and to encourage the participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(2) **Participants**

Any employee, executive director and/or non-executive director of the Group and any other persons including consultant, advisor, agent, customers, suppliers, service provider, contractor, business partner or connected person of the Group or its associates who, in the sole discretion of the Board, has contributed or will contribute to the Group.

(3) **The total number of shares available for issue**

The total number of shares which may be issued upon exercise of options to be granted under the Option Scheme shall not exceed 10% of the shares in issue as at the date of adoption of the Option Scheme on 16 May 2002 (i.e. 418,243,897 shares). Such limit was refreshed by the shareholders in the general meetings held on 28 June 2004, 25 May 2005, 26 May 2006 and 15 April 2010 respectively. The current number of shares available for issue upon exercise of options to be granted under the Option Scheme is 875,768,576 shares, representing approximately 9.86% of the issued share capital of the Company as at the date of this annual report.

The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will exceed the 30% limit.

(4) **The maximum entitlement of each participant under the Option Scheme**

The total number of Shares issued and to be issued upon the exercise of the options granted and to be granted to each participant of the Option Scheme of the Company (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue.

Any further grant of options in excess of this 1% limit shall be subject to the approval of the shareholders of the Company in general meeting with such grantee and his associates abstaining from voting and the requirements prescribed under the Listing Rules from time to time.

DIRECTORS' REPORT

SHARE OPTION SCHEME *(continued)*

(5) **The period within which the shares must be taken up under an option**

The period during which an option may be exercised will be determined by the Board at its discretion and no option may be exercised after 10 years from the date of grant.

(6) **The minimum period for which an option must be held before it can exercised**

The Board is empowered to impose, at its discretion, any minimum period that an option must be held at the time of granting any option.

(7) **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid**

Acceptance of the option must be made within 28 days from the date of offer and HK$1.00 must be paid as a consideration for the grant of option.

(8) **The basis of determining the exercise price**

The exercise price of the option shall be such price determined by the Board at its absolute discretion and notified to the participant in the offer but shall be no less than the highest of:

(a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;

(b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and

(c) the nominal value of the share on the date of grant.

(9) **The remaining life of the Option Scheme**

The Option Scheme is valid and effective for a period of 10 years commencing on 16 May 2002 and shall be expired on the tenth anniversary date, i.e. 16 May 2012.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2010, 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$0.01 each of the Company

Name of director	Capacity	Number of shares	Percentage of the issued ordinary share capital of the Company
Zhou Jian	Held by controlled corporation *(Note)*	2,610,395,180	29.39%

(2) Convertible bonds

Name of director	Capacity	Outstanding principal amount of convertible bonds	Number of underlying ordinary shares
Zhou Jian	Held by controlled corporation *(Note)*	HK$38,000,000	950,000,000

Note: Mr. Zhou Jian held 2,610,395,180 shares and convertible bond in the outstanding principal amount of HK$38,000,000 (convertible into 950,000,000 shares) of the Company through Wise Sun Holdings Limited, a company wholly owned by Bright Ace Holdings Limited, a company wholly owned by him.

Save as disclosed above, as at 31 December 2010, 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 2010, 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 20, 24, 29 and 32 to the financial statements.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of director and chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

(a) **Ordinary shares of HK$0.01 each of the Company**

Name of shareholder	Capacity	Number of issued ordinary shares	Percentage of the issued ordinary share capital of the Company
Wise Sun Holdings Limited	Beneficial owner *(Note 1)*	2,610,395,180	29.39%
Bright Ace Holdings Limited	Held by controlled corporation *(Note 1)*	2,610,395,180	29.39%
Zhou Jian	Held by controlled corporation *(Note 1)*	2,610,395,180	29.39%
Mass Channel Investment Limited	Beneficial owner *(Note 2)*	1,750,000,000	19.70%
Xu Kai	Held by controlled corporation *(Note 2)*	1,750,000,000	19.70%
Fortune Source International Limited	Beneficial owner *(Note 3)*	1,125,000,000	12.67%
Zhang Xiaoqun	Held by controlled corporation *(Note 3)*	1,125,000,000	12.67%

Notes:

1. Wise Sun Holdings Limited is wholly owned by Bright Ace Holdings Limited which in turn is wholly owned by Mr. Zhou Jian.

2. Mass Channel Investment Limited is wholly owned by Mr. Xu Kai.

3. Fortune Source International Limited is wholly owned by Mr. Zhang Xiaoqun.

SUBSTANTIAL SHAREHOLDERS *(continued)*

Long Positions *(continued)*

(b) Convertible bonds

Name of shareholder	Capacity	Outstanding principal amount of convertible bonds	Number of underlying ordinary shares
Wise Sun Holdings Limited	Beneficial owner *(Note)*	HK$38,000,000	950,000,000
Bright Ace Holdings Limited	Held by controlled corporation *(Note)*	HK$38,000,000	950,000,000
Zhou Jian	Held by controlled corporation *(Note)*	HK$38,000,000	950,000,000

Note: Mr. Zhou Jian, Chairman of the Company, held 2,610,395,180 shares of the Company and the convertible bond in the outstanding principal amount of HK$38,000,000 through Wise Sun Holdings Limited, a company wholly owned by Bright Ace Holdings Limited which in turn is wholly owned by him.

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	68%
– five largest suppliers combined	88%
Sales	
– the largest customer	54%
– five largest customers combined	83%

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.

DIRECTORS' REPORT

DISCLOSURE PURSUANT TO PARAGRAPH 13.21 OF CHAPTER 13 OF THE LISTING RULES

A banking facility ("Facility") with the principal amount of HK$6 million provided by a bank in Hong Kong for an indirectly-owned subsidiary of the Company (the "Subsidiary"), among the Entertainment Media Segment which was discontinued by the end of December 2010, has imposed certain specific performance obligations on the Company, pursuant to which, the Company shall not (i) hold less than 51% of the Subsidiary's equity interests effectively and (ii) hold less than 100% of equity interest in an intermediate wholly-owned subsidiary of the Company which held the Subsidiary. The bank shall have the right to demand for repayment of all outstanding amounts due by the Subsidiary under the Facility, unless otherwise approved by the bank, if there is any breach of the aforesaid conditions. As at 31 December 2010, the outstanding loan principal of this Facility amounted to approximately HK$4.8 million and the original last monthly instalment repayment should be in the year 2014.

However, on 20 December 2010, the Company announced that it would not provide further financial assistance to the Entertainment Media Segment. Details of the aforesaid disclosure were explained on page 4 under the first paragraph of "Discontinued Business" of the "Business Review and Outlook" section in this report. As a result, the operation of the Subsidiary was discontinued by the end of December 2010. The aforesaid bank had issued a demand letter to the Subsidiary and stated that it might take any legal action against the Subsidiary in respect of the Facility. However, there was no corporate guarantee issued by the Company in favour of the Subsidiary.

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 7 to 11 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.

AUDITORS

The financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the auditors of the Company.

On behalf of the Board

Zhou Jian
Chairman

Hong Kong, 9 March 2011

INDEPENDENT AUDITORS' REPORT

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TO THE SHAREHOLDERS OF SUN INNOVATION HOLDINGS LIMITED
(known as "奧亮集團有限公司" for identification purpose)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sun Innovation Holdings Limited (the "Company") and its subsidiaries (thereafter referred to as the "Group") set out on pages 24 to 100, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate number: P05308
Hong Kong, 9 March 2011

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations			
Turnover	*5*	25,204	6,024
Cost of sales and services		(19,773)	(1,313)
Gross profit		5,431	4,711
Other income and net gains or losses	*6*	436	1,193
Selling and distribution expenses		(1,073)	(46)
Administrative expenses and other net operating expenses		(22,449)	(39,457)
Finance costs	*8*	(5,494)	(12,232)
Loss on disposal of subsidiaries, net	*25*	(2)	(8,634)
Fair value gains on investment properties	*14*	2,000	–
Allowance for doubtful debts on trade and other receivables		(675)	(1,041)
Loss before taxation		(21,826)	(55,506)
Taxation	*10(a)*	22	(228)
Loss for the year from continuing operations	*7*	(21,804)	(55,734)
Discontinued operations	*11*		
Loss for the year from discontinued operations		(10,341)	(7,294)
Loss for the year	*7*	(32,145)	(63,028)
Loss attributable to:			
– Owners of the Company		(29,363)	(62,263)
– Non-controlling interest		(2,782)	(765)
		(32,145)	(63,028)
Loss per share from continuing and discontinued operations:	*12*		
– Basic and diluted		HK$(0.003)	HK$(0.023)
Loss per share from continuing operations:	*12*		
			(Restated)
– Basic and diluted		HK$(0.002)	HK$ (0.021)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Loss for the year	(32,145)	(63,028)
Other comprehensive income		
Currency translation differences	(527)	615
Other comprehensive income for the year, net of tax	(527)	615
Total comprehensive income for the year	(32,672)	(62,413)
Total comprehensive income attributable to:		
– Owners of the Company	(29,890)	(61,648)
– Non-controlling interest	(2,782)	(765)
	(32,672)	(62,413)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated) *Note 2(a)*	1 January 2009 HK$'000 (Restated) *Note 2(a)*
Non-current assets				
Property, plant and equipment	*13*	**1,272**	1,993	3,609
Investment properties	*14*	**118,000**	116,000	140,820
Intangible assets	*15*	**–**	–	392
		119,272	117,993	144,821
Current assets				
Trading merchandise goods		**–**	–	69
Trade receivables, other receivables and prepayments	*17*	**8,451**	6,065	19,182
Bank balances and cash	*18*	**261,067**	296,418	9,000
		269,518	302,483	28,251
Current liabilities				
Trade payables, other payables and accruals	*19*	**6,111**	5,916	30,763
Bank and other borrowings	*2(a) & 20*	**54,830**	58,111	83,743
Convertible bonds	*21*	**35,188**	–	–
Tax payable		**108**	108	521
		96,237	64,135	115,027
Net current assets/(liabilities)		**173,281**	238,348	(86,776)
Total assets less current liabilities		**292,553**	356,341	58,045
Non-current liabilities				
Bank and other borrowings	*2(a) & 20*	**–**	50	–
Convertible bonds	*21*	**–**	35,596	5,664
Deferred tax liabilities	*10(b)*	**4,367**	4,367	5,369
		4,367	40,013	11,033
Net assets		**288,186**	316,328	47,012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

as at 31 December 2010

	Note	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated) *Note 2(a)*	1 January 2009 HK$'000 (Restated) *Note 2(a)*
EQUITY				
Share capital	22	**88,827**	87,577	147,004
Reserves		**200,955**	227,565	(101,943)
Equity attributable to owners of the Company		**289,782**	315,142	45,061
Non-controlling interest		**(1,596)**	1,186	1,951
Total equity		**288,186**	316,328	47,012

The financial statements were approved and authorised for issue by the Board of Directors on 9 March 2011 and are signed on its behalf by:

Zhou Jian
DIRECTOR

Fan Lei
DIRECTOR

STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated) *Note 2(a)*	1 January 2009 HK$'000 (Restated) *Note 2(a)*
Non-current assets				
Property, plant and equipment	*13*	48	24	3
Interests in subsidiaries	*16*	198,776	203,646	111,106
		198,824	203,670	111,109
Current assets				
Other receivables and prepayments	*17*	1,527	1,475	5,645
Bank balances and cash		165,768	188,394	6,037
		167,295	189,869	11,682
Current liabilities				
Other payables and accruals	*19*	559	692	1,639
Bank and other borrowings	*2(a) & 20*	42,482	44,297	75,145
Convertible bonds	*21*	35,188	–	–
		78,229	44,989	76,784
Net current assets/(liabilities)		89,066	144,880	(65,102)
Total assets less current liabilities		287,890	348,550	46,007
Non-current liabilities				
Convertible bonds	*21*	–	35,596	5,664
Net assets		287,890	312,954	40,343
EQUITY				
Share capital	*22*	88,827	87,577	147,004
Reserves	*23*	199,063	225,377	(106,661)
Total equity		287,890	312,954	40,343

The financial statements were approved and authorised for issue by the Board of Directors on 9 March 2011 and are signed on its behalf by:

Zhou Jian
DIRECTOR

Fan Lei
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

		Attributable to owners 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	Non-controlling interest HK$'000	Total equity HK$'000
As at 1 January 2009		147,004	50,008	2,191	–	7,355	3,487	–	388	(165,372)	45,061	1,951	47,012
Loss for the year		–	–	–	–	–	–	–	–	(62,263)	(62,263)	(765)	(63,028)
Other comprehensive income		–	–	–	–	–	–	–	615	–	615	–	615
Total comprehensive income for the year		–	–	–	–	–	–	–	615	(62,263)	(61,648)	(765)	(62,413)
Issue of convertible bonds	21	–	–	–	63,509	–	–	–	–	–	63,509	–	63,509
Direct costs incurred for issue of convertible bonds	21	–	–	–	(911)	–	–	–	–	–	(911)	–	(911)
Issue of shares on the exercise of warrants	22(b)	7	16	(8)	–	–	–	–	–	–	15	–	15
Release upon lapse of warrants	22(b)	–	–	(2,183)	–	–	–	–	–	2,183	–	–	–
Issue of shares on placement	22(c)	29,400	11,877	–	–	–	–	–	–	–	41,277	–	41,277
Issue of shares upon conversion of convertible bonds	22(d)	6,857	2,245	–	–	–	–	–	–	–	9,102	–	9,102
Share premium balance transferred to contributed surplus pursuant to the capital reorganisation	22(a)(iv)	–	(64,146)	–	–	–	–	64,146	–	–	–	–	–
Capital reduction pursuant to the capital reorganisation	22(a)(ii)&(v)	(164,941)	–	–	–	–	–	164,941	–	–	–	–	–
Contributed surplus set off against accumulated losses pursuant to the capital reorganisation	22(a)(vi)	–	–	–	–	–	–	(179,577)	–	179,577	–	–	–
Issue of shares upon conversion of convertible bonds	21(b)&22(e)	69,250	206,630	–	(54,076)	–	–	–	–	–	221,804	–	221,804
Release upon lapse and surrender of share options	24(i)	–	–	–	–	–	(3,487)	–	–	3,487	–	–	–
Release of exchange fluctuation reserve upon disposal of a subsidiary	25	–	–	–	–	–	–	–	(3,067)	–	(3,067)	–	(3,067)
As at 31 December 2009		87,577	206,630	–	8,522	7,355	–	49,510	(2,064)	(42,388)	315,142	1,186	316,328

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the year ended 31 December 2010

	Notes	Attributable to owners of the Company									
		Share capital *HK$'000*	Share premium *HK$'000* *(Note 23(i))*	Convertible bonds – equity component *HK$'000* *(Note 23(iii))*	Land and buildings revaluation reserve *HK$'000* *(Note 23(iv))*	Contributed surplus *HK$'000* *(Note 23(vi))*	Exchange fluctuation reserve *HK$'000* *(Note 23(vii))*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interest *HK$'000*	Total equity *HK$'000*
As at 1 January 2010		87,577	206,630	8,522	7,355	49,510	(2,064)	(42,388)	315,142	1,186	316,328
Loss for the year		–	–	–	–	–	–	(29,363)	(29,363)	(2,782)	(32,145)
Other comprehensive income		–	–	–	–	–	(527)	–	(527)	–	(527)
Total comprehensive income for the year		–	–	–	–	–	(527)	(29,363)	(29,890)	(2,782)	(32,672)
Issue of shares upon conversion of convertible bonds	*21(b)&22(e)*	1,250	4,271	(991)	–	–	–	–	4,530	–	4,530
As at 31 December 2010		88,827	210,901	7,531	7,355	49,510	(2,591)	(71,751)	289,782	(1,596)	288,186

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Cash flows from operating activities		
Loss before taxation from continuing operations	(21,826)	(55,506)
Loss before taxation from discontinued operations	(10,341)	(7,294)
	(32,167)	(62,800)
Adjustments for:		
Allowance for doubtful debts on trade and other receivables	2,714	1,532
Amortisation of intangible assets	–	392
Depreciation of property, plant and equipment	1,013	1,428
Impairment loss on property, plant and equipment	583	–
Loss on disposal of property, plant and equipment	253	913
Loss on disposal of subsidiaries, net	2	8,634
Net realised gains on trading securities	–	(2,477)
Net exchange (gains)/losses	(511)	478
Fair value gains on investment properties	(2,000)	–
Fair value loss on derivative component of convertible bonds	–	2,029
Interest income	(333)	(22)
Finance costs	5,827	12,300
Operating loss before working capital changes	(24,619)	(37,593)
Decrease in trading merchandise goods	–	69
(Increase)/decrease in trade receivables, other receivables and prepayments	(5,095)	11,285
Increase/(decrease) in trade payables, other payables and accruals	197	(24,562)
Cash used in operations	(29,517)	(50,801)
Interest paid	(1,701)	(6,595)
Overseas tax refunded	–	47
Net cash used in operating activities	(31,218)	(57,349)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

for the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Investing activities		
Interest received	333	22
Proceeds from disposal of property, plant and equipment	–	100
Net proceeds from disposal of subsidiaries	–	11,751
Proceeds from disposal of trading securities	–	75,997
Purchases of trading securities	–	(73,520)
Purchases of property, plant and equipment	(1,185)	(997)
Net cash (used in)/generated from investing activities	(852)	13,353
Financing activities		
New bank loans	–	23,500
New inception of other loans	–	41,471
New inception of loan from a shareholder	–	43,616
Proceeds from exercise of warrants	–	15
Repayment of bank loans	(3,281)	(28,837)
Repayment of other loans	–	(61,422)
Net proceeds from placement of new shares	–	41,277
Net proceeds from issue of convertible bonds	–	271,792
Net cash (used in)/generated from financing activities	(3,281)	331,412
Net (decrease)/increase in cash and cash equivalents	(35,351)	287,416
Effect of foreign exchange rate changes	–	2
Cash and cash equivalents at the beginning of the year	296,418	9,000
Cash and cash equivalents at the end of the year	261,067	296,418
Represented by:		
Bank balances and cash	261,067	296,418

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 Rooms 1818-1823, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are described in Note 16.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on Group's financial statements.

HKFRS 3 (Revised) – Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are described in Note 3, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, and accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2010 *(continued)*

HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of HK Interpretation 5 on the consolidated statement of financial position

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Increase/(decrease) in			
Current liabilities			
Bank and other borrowings	**47,398**	54,731	34,980
Non-current liabilities			
Bank and other borrowings	**(47,398)**	(54,731)	(34,980)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2010 *(continued)*

Effect of adoption of HK Interpretation 5 on the Company's statement of financial position

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Increase/(decrease) in			
Current liabilities			
Bank and other borrowings	40,411	42,475	26,890
Non-current liabilities			
Bank and other borrowings	(40,411)	(42,475)	(26,890)

As a result of the above retrospective reclassification, additional consolidated and company statements of financial position as at 1 January 2009 are presented in accordance with HKAS 1 Presentation of Financial Statements.

(b) New/revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's operations, have been issued, but are not yet effective and have not been early adopted by the Group:

		Effective date
HKFRSs (Amendments)	Improvements to HKFRSs 2010	(i) & (ii)
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	(i)
HKAS 24 (Revised)	Related Party Disclosures	(ii)
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets	(iii)
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets	(iv)
HKFRS 9	Financial Instruments	(v)

Effective date:

(i) Annual periods beginning on or after 1 July 2010
(ii) Annual periods beginning on or after 1 January 2011
(iii) Annual periods beginning on or after 1 July 2011
(iv) Annual periods beginning on or after 1 January 2012
(v) Annual periods beginning on or after 1 January 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but not yet effective *(continued)*

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretation (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

All inter-company transactions and balances within the Group are eliminated in full 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.

Business combination

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination *(continued)*

Business combination from 1 January 2010 (continued)

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Subsidiaries

Subsidiaries are entities in which the Company 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 statement of financial position at cost less any accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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 profit or loss in the period in which it is incurred. In situations where it is probable that future economic benefits of the expenditure will flow to the entity, and the cost of which can be measured reliably, the expenditure is capitalised as an additional cost of the asset or a separate asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is charged so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, 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 sale 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 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 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

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

Impairment of assets

At the end of each reporting period, 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 or an impairment loss previously recognised no longer exists or may have decreased. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in 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 to the extent 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 were stated at the lower of cost and net realisable value. Cost includes cost of purchases computed using the weighted average method. Net realisable value was determined by reference to the anticipated sale proceeds of items sold in the ordinary course of business less estimated selling expenses after the end of reporting period 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 and financial assets at fair value through profit or loss, 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. Subsequent to initial recognition, loans and 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.

(ii) *Financial assets at fair value through profit or loss*

Financial assets are classified as at fair value through profit or loss where they are either held for trading or are designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

(iii) Impairment

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of reporting period. 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)*

(iv) 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.

(v) Derecognition of financial assets

The Group derecognises financial assets 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

Convertible bonds that contain liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds – equity component).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Convertible bonds (continued)

Convertible bonds that contain liability and equity components *(continued)*

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds – equity component until the embedded option is exercised in which case the balance stated in convertible bonds – equity component will be transferred to share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds – equity component will be released to the retained profits/accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

Convertible bonds that contain liability component and conversion option derivative

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option derivative is recognised at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

When the bonds are converted, the carrying amount of the liability component together with the fair value of the conversion derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the bonds are redeemed, and difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and conversion option components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity whereas transactions costs relating to the conversion option derivative is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(iii) Other financial liabilities

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

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

(iv) 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.

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 profit or loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 end of reporting period.

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 end of reporting period are used to determine deferred taxation.

The carrying amount of deferred tax assets is reviewed at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 presented in Hong Kong dollars which is the functional currency of the Company.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into individual entity's functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of reporting period. 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 recognised in other comprehensive income and accumulated in exchange fluctuation reserve. Such translation differences are recognised in profit or loss in the period when the foreign operations are disposed of.

Employees' benefits

Short term benefits

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

Retirement benefit schemes

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employees' benefits *(continued)*

Share-based payments

For equity-settled share-based payments to directors, employees and others providing similar services, 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 option 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.

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 rendering of 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.

(v) Sales of financial assets at fair value through profit or loss are recognised on a trade-date basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements

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

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement 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 judgement 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 2010 was HK$2,792,000 (2009: HK$2,228,000). The amount of unrecognised tax losses at 31 December 2010 was HK$165,553,000 (2009: HK$149,602,000). Further details are set out in Note 10.

Estimated impairment of trade and other receivables

The Group makes allowance for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Allowances 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 allowance for impairment losses in the period in which such estimate had been changed.

5. TURNOVER AND SEGMENT REPORTING

An analysis of the turnover, which is also the Group's revenue for the year, is as follows:

	2010 HK$'000	2009 HK$'000
Continuing operations:		
Sale of goods	20,308	56
Rental income	4,896	5,968
	25,204	6,024
Discontinued operations:		
Rendering of services *(Note 11)*	5,322	11,752

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Property investment
- Trading
- Entertainment media (mobile entertainment business) (discontinued during the year – Note 11)
- Leisure and entertainment events (discontinued during the year – Note 11)
- Telecommunication (maintenance and support services for cable use right between Japan and Hawaii) (discontinued during the year – Note 11)

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segment's profit that is used by the chief operating decision-makers for assessment of segment performance.

5. TURNOVER AND SEGMENT REPORTING *(continued)*

(a) Reportable segments *(continued)*

	Continuing operations						Discontinued operations									
	Property investment		Trading		Total		Entertainment media		Leisure and entertainment events		Telecommunication		Total		Consolidated	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Revenue from external customers	4,896	5,968	20,308	56	25,204	6,024	5,322	9,567	–	385	–	1,800	5,322	11,752	30,526	17,776
Inter-segment revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Reportable segment revenue	4,896	5,968	20,308	56	25,204	6,024	5,322	9,567	–	385	–	1,800	5,322	11,752	30,526	17,776
Reportable segment profit/(loss)	3,771	4,226	674	(2,379)	4,445	1,847	(7,556)	(3,213)	(418)	(3,534)	(1)	(24)	(7,975)	(6,771)	(3,530)	(4,924)
Depreciation and amortisation	–	8	–	228	–	236	504	374	34	65	–	393	538	832	538	1,068
Fair value gains on investment properties	2,000	–	–	–	2,000	–	–	–	–	–	–	–	–	–	2,000	–
Impairment loss on property, plant and equipment	–	–	–	–	–	–	583	–	–	–	–	–	583	–	583	–
Taxation	–	119	–	–	–	119	–	–	–	–	–	–	–	–	–	119
Allowance/(write-back of allowance) for doubtful debts on trade and other receivables	320	794	355	247	675	1,041	2,053	–	–	–	(14)	491	2,039	491	2,714	1,532
Reportable segment assets	119,268	117,116	19,492	346	138,760	117,462	675	9,823	–	512	4	5	679	10,340	139,439	127,802
Additions to non-current assets	–	–	–	–	–	–	677	189	–	–	–	–	677	189	677	189
Reportable segment liabilities	8,970	9,142	685	585	9,655	9,727	7,404	8,041	–	598	11	152	7,415	8,791	17,070	18,518

5. TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2010 HK$'000	2009 HK$'000
Revenue		
Reportable segment revenue and consolidated revenue	**30,526**	17,776

	2010 HK$'000	2009 HK$'000 (Restated)
Loss before taxation (include continuing and discontinued operations)		
Reportable segment loss	**(3,530)**	(4,924)
Segment loss from discontinued operations	**7,975**	6,771
Other income and net gains or losses	**441**	1,229
Unallocated corporate expenses	**(20,169)**	(36,116)
Allowance for doubtful debts on trade and other receivables	**(2,714)**	(1,532)
Fair value gains on investment properties	**2,000**	–
Loss on disposal of subsidiaries, net	**(2)**	(8,634)
Finance costs	**(5,827)**	(12,300)
Consolidated loss before taxation from continuing operations	**(21,826)**	(55,506)

5. TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities *(continued)*

	2010 HK$'000	2009 HK$'000
Assets		
Reportable segment assets	139,439	127,802
Unallocated bank balances and cash	245,950	289,017
Unallocated corporate assets	3,401	3,657
Consolidated total assets	388,790	420,476
Liabilities		
Reportable segment liabilities	17,070	18,518
Current tax liabilities	108	108
Deferred tax liabilities	4,367	4,367
Unallocated corporate liabilities	79,059	81,155
Consolidated total liabilities	100,604	104,148

5. TURNOVER AND SEGMENT REPORTING *(continued)*

(c) Geographic information

The following table provides an analysis of the Group's revenue from external customers in its continuing operations and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets").

	Revenue from external customers		**Specified non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Hong Kong	**8,649**	5,372	**119,272**	117,699
Mainland China	**16,555**	652	**–**	–
United States of America ("USA")	**–**	–	**–**	76
Macau	**–**	–	**–**	218
	25,204	6,024	**119,272**	117,993

(d) Major customers

The Group's customer base is diversified and there were two (2009: four) customers with whom transactions have exceeded 10% of the Group's revenues.

During the current year, revenues from two customers in the trading segment amounted to approximately HK$16,555,000 and HK$3,753,000 respectively. During the year ended 31 December 2009, revenues from a customer in the property investment segment amounted to approximately HK$2,170,000; revenues from a customer in the telecommunication segment amounted to approximately HK$1,800,000 and revenues from two customers in the entertainment media segment amounted to approximately HK$3,888,000 and HK$1,987,000 respectively.

6. OTHER INCOME AND NET GAINS OR LOSSES

	Note	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations			
Interest income		333	22
Management service income		–	382
Net realised gains on trading securities		–	2,477
Fair value loss on derivative component of convertible bonds	*21*	–	(2,029)
Others		103	341
		436	1,193

7. LOSS FOR THE YEAR

	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations		
This is arrived at after charging/(crediting):		
Cost of sales and services	19,773	1,313
Loss on disposal of property, plant and equipment	87	902
Exchange differences, net	(536)	370
Auditors' remuneration	510	500
Depreciation of property, plant and equipment	475	989
Operating lease rentals in respect of rented premises	1,924	3,443
Staff costs:		
– Directors' remuneration *(Note 9)*	1,802	3,304
– Other staff costs:		
Salaries, wages and other benefits	7,171	12,129
Retirement benefit scheme contributions	74	269
Total staff costs	9,047	15,702

The consolidated loss attributable to owners of the Company includes a loss of HK$14,374,000 (2009: HK$26,218,000) which has been dealt with in the financial statements of the Company.

8. FINANCE COSTS

	Notes	2010 HK$'000	2009 HK$'000
Imputed interest on convertible bonds	*21*	**4,333**	6,254
Interests on:			
Borrowings wholly repayable within five years		**1,494**	6,046
		5,827	12,300
Attributable to continuing operations reported in the consolidated income statement		**5,494**	12,232
Attributable to discontinued operations	*11*	**333**	68
		5,827	12,300

The analysis shows the finance costs of bank borrowings in accordance with the agreed scheduled repayment dates set out in the loan agreements. All term loans which contain a repayment on demand clause in the loan agreements are reclassified as "wholly repayable within five years" in this analysis. For the years ended 31 December 2010 and 2009, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$1,491,000 and HK$1,297,000 respectively.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The directors' remuneration is analysed as follows:

	2010 HK$'000	2009 HK$'000
Fees:		
Independent non-executive directors	**300**	526
Other emoluments paid to executive directors:		
Salaries and other benefits	**1,440**	2,740
Retirement benefit scheme contributions	**62**	38
	1,502	2,778
	1,802	3,304

No directors waived any remuneration in respect of the years ended 31 December 2010 and 2009.

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

Directors' remuneration *(continued)*

	2010 HK$'000	2009 HK$'000
Zhou Jian (Appointed on 21 July 2009)		
– Salaries and other benefits	–	–
– Retirement benefit scheme contributions	–	–
	–	–
Fan Lei (Appointed on 21 July 2009)		
– Salaries and other benefits	1,200	210
– Retirement benefit scheme contributions	60	5
	1,260	215
Lo Ming Chi, Charles (Appointed on 21 July 2009 and resigned on 1 March 2010)		
– Salaries and other benefits	240	643
– Retirement benefit scheme contributions	2	6
	242	649
Michele Matsuda (Resigned on 18 September 2009)		
– Salaries and other benefits	–	656
– Retirement benefit scheme contributions	–	16
	–	672
Leung To Kwong, Valiant (Resigned on 4 September 2009)		
– Salaries and other benefits	–	1,200
– Retirement benefit scheme contributions	–	10
	–	1,210

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

Directors' remuneration *(continued)*

	2010 HK$'000	2009 HK$'000
Shoichi Takaya (Resigned on 6 January 2009)		
– Salaries and other benefits	–	31
– Retirement benefit scheme contributions	–	1
	–	32
Lau Cheong (Appointed on 21 July 2009)		
– Fee	100	45
Duan Xiongfei (Appointed on 21 July 2009)		
– Fee	100	45
Tam Tak Kei, Raymond (Appointed on 10 September 2009)		
– Fee	100	31
Zhou Ji, Jason (Resigned on 1 October 2009)		
– Fee	–	135
Chen Tien-yiu, Theodore (Resigned on 1 October 2009)		
– Fee	–	135
Wong Tak Shing (Resigned on 1 October 2009)		
– Fee	–	135

Mr. Shinji Yamamoto, a non-executive director of the Company, was appointed on 16 February 2007 and resigned on 31 August 2009. According to his service agreement with the Company, he did not receive any director fee for the year ended 31 December 2009.

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

Five highest paid employees

The five highest paid individuals of the Group included one (2009: two) executive director(s) of the Company, details of whose emoluments are set out above. The remuneration of the remaining four (2009: three) highest paid employees, other than directors of the Company, is as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**4,567**	3,312
Retirement benefit scheme contributions	**99**	84
	4,666	3,396

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

	2010	2009
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**3**	2

10. TAXATION

	2010 HK$'000	2009 HK$'000
(a) **Taxation (credited)/charged in the consolidated income statement represents:**		
Current taxation – Hong Kong profits tax for the year	**–**	108
Current taxation – overseas		
– tax for the year	**–**	120
– overprovision in respect of prior years	**(22)**	–
	(22)	228

10. TAXATION *(continued)*

Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits of the prior year. No provision for Hong Kong profits tax has been made for the current year as the Group did not have assessable profits arising in Hong Kong. Taxation for overseas subsidiaries has been calculated on the estimated assessable profits for the year ended 31 December 2009 at the appropriate current rates of taxation ruling in the countries in which the Company's subsidiaries operate.

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

	2010 **HK$'000**	2009 HK$'000
Loss before taxation (including loss from continuing and discontinued operations)	**(32,167)**	(62,800)
Taxation calculated at Hong Kong profits tax rate of 16.5% (2009: 16.5%)	**(5,308)**	(10,362)
Tax effect of expenses not deductible for tax purposes	**1,395**	4,071
Tax effect of income not taxable for tax purposes	**(504)**	(43)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(86)**	(631)
Overprovision in respect of prior years	**(22)**	–
Tax effect on utilisation of previously unrecognised tax losses and other deductible temporary differences	**(151)**	(94)
Tax effect of unrecognised tax losses and temporary differences	**4,654**	7,287
Taxation for the year	**(22)**	228

10. TAXATION *(continued)*

(b) Deferred taxation

The movements in the components of deferred tax (liabilities)/assets recognised by the Group 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$'000	Total HK$'000
As at 1 January 2009	(3,189)	(4,040)	1,860	(5,369)
(Charge)/credit to profit or loss for the year	(368)	–	368	–
Disposal and deregistration/dissolution of subsidiaries *(Note 25)*	–	1,010	–	1,010
Exchange fluctuation	–	(8)	–	(8)
As at 31 December 2009	(3,557)	(3,038)	2,228	(4,367)
(Charge)/credit to profit or loss for the year	(234)	(330)	564	–
As at 31 December 2010	(3,791)	(3,368)	2,792	(4,367)

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 purpose of consolidated statement of financial position:

	Group	
	2010	2009
	HK$'000	HK$'000
Deferred tax liabilities	**(7,159)**	(6,595)
Deferred tax assets	**2,792**	2,228
	(4,367)	(4,367)

At the end of reporting period, the Group had unused tax losses of HK$182,476,000 (2009: HK$163,106,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$16,923,000 (2009: HK$13,504,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$165,553,000 (2009: HK$149,602,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$17,997,000 (2009: HK$14,196,000) that will expire in twenty years from the respective dates of incurrence and losses of HK$Nil (2009: HK$5,090,000) that will expire in five years from the respective dates of incurrence. Other tax losses may be carried forward indefinitely.

At the end of reporting period, the Group had deductible temporary differences of HK$4,747,000 (2009: HK$4,477,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

11. DISCONTINUED OPERATIONS

During the year, the Group ceased its operations in entertainment media business, telecommunication business and leisure and entertainment events business (collectively referred to as the "Discontinued Operations"). On 20 December 2010, the Group decided not to continue to finance its entertainment media business and telecommunication business. Further details are set out in the Company's announcement dated 20 December 2010. Further, the Group did not hold any leisure and entertainment event during the current year. As at 31 December 2010, the Discontinued Operations ceased and accordingly these three segments were classified as discontinued operations in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The sales, results and cash flows of the Discontinued Operations were as follows:

	2010 HK$'000	2009 HK$'000
Turnover *(Note 5)*	**5,322**	11,752
Cost of sales and services	**(2,590)**	(5,541)
Gross profit	**2,732**	6,211
Other income	**5**	36
Selling and distribution expenses	**–**	(199)
Administrative expenses and other net operating expenses	**(10,123)**	(12,783)
Impairment loss on property, plant and equipment	**(583)**	–
Finance costs *(Note 8)*	**(333)**	(68)
Allowance for doubtful debts on trade and other receivables	**(2,039)**	(491)
Loss before taxation	**(10,341)**	(7,294)
Taxation	**–**	–
Loss for the year from the Discontinued Operations	**(10,341)**	(7,294)
Operating cash flows	**(6,338)**	(25,052)
Investing cash flows	**(678)**	(188)
Financing cash flows	**1,094**	29,449
Total cash flows	**(5,922)**	4,209

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

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year.

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

From continuing and discontinued operations

	Year ended 31 December	
	2010	2009
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(29,363)**	(62,263)

	Number of shares	
	2010	2009
Weighted average number of ordinary shares for the purpose of basic loss per share	**8,781,380,823**	2,651,374,839

From continuing operations

	Year ended 31 December	
	2010	2009
	HK$'000	HK$'000
		(Restated)
Loss for the year for the purpose of basic loss per share from continuing operations	**(21,804)**	(55,734)

As convertible bonds, share options and warrants, where applicable, outstanding during the years had an anti-dilutive effect on the basic loss per share for both years, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted losses per share for (i) continuing and discontinued operations and (ii) continuing operations in the respective years are equal.

12. LOSS PER SHARE *(continued)*

From discontinued operations

Basic losses per share for the discontinued operations is HK$0.001 (2009: HK$0.002 (restated)) per share, based on the loss for the year from the discontinued operations of HK$7,559,000 (2009: HK$6,529,000 (restated)) attributable to owners of the Company and the denominators detailed above for both basic and diluted losses per share.

As convertible bonds, share options and warrants, where applicable, outstanding during the years had an anti-dilutive effect on the basic loss per share for both years, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted losses per share for the discontinued operations in the respective years are equal.

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	Group			Company
		Furniture, fixtures and equipment	Motor vehicles	Total	Furniture, fixtures and equipment
		HK$'000	HK$'000	HK$'000	HK$'000
COST					
As at 1 January 2009		20,243	212	20,455	40
Additions		997	–	997	25
Disposals		(4,553)	(213)	(4,766)	(40)
Disposal and deregistration/dissolution of subsidiaries	25	(300)	–	(300)	–
Exchange fluctuation		11	1	12	–
As at 31 December 2009 and 1 January 2010		16,398	–	16,398	25
Additions		1,185	–	1,185	31
Disposals		(3,854)	–	(3,854)	–
Disposal and deregistration/dissolution of subsidiaries	25	(27)	–	(27)	–
Exchange fluctuation		5	–	5	–
As at 31 December 2010		13,707	–	13,707	56
ACCUMULATED DEPRECIATION					
As at 1 January 2009		16,738	108	16,846	37
Depreciation charge for the year		1,400	28	1,428	3
Disposals		(3,614)	(139)	(3,753)	(39)
Disposal and deregistration/dissolution of subsidiaries	25	(125)	–	(125)	–
Exchange fluctuation		6	3	9	–
As at 31 December 2009 and 1 January 2010		14,405	–	14,405	1
Depreciation charge for the year		1,013	–	1,013	7
Disposals		(3,545)	–	(3,545)	–
Disposal and deregistration/dissolution of subsidiaries	25	(26)	–	(26)	–
Impairment loss recognised		583	–	583	–
Exchange fluctuation		5	–	5	–
As at 31 December 2010		12,435	–	12,435	8
NET CARRYING AMOUNT					
As at 31 December 2010		1,272	–	1,272	48
As at 31 December 2009		1,993	–	1,993	24

14. INVESTMENT PROPERTIES

Group

	HK$'000
FAIR VALUE	
As at 1 January 2009	140,820
Disposal of a subsidiary *(Note 25)*	(24,990)
Exchange fluctuation	170
As at 31 December 2009 and 1 January 2010	116,000
Fair value gains	2,000
As at 31 December 2010	118,000

Investment properties were valued at 31 December 2010 by DTZ Debenham Tie Leung Limited, an independent firm of professionally qualified valuers, who has among their staff Fellows 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 gains of HK$2,000,000 (2009: no fair value change). During the year, the deferred tax charge of HK$330,000 (2009: HK$Nil) (Note 10(b)) arising from the valuation was charged to the profit or loss.

The property rental income earned by the Group from its investment properties, most of which are leased out under operating leases, amounted to HK$4,896,000 (2009: HK$5,968,000). Direct operating expenses arising on the investment properties in the year amounted to HK$1,007,000 (2009: HK$1,271,000).

The Group's investment properties were located in Hong Kong, held under medium term leases, and pledged to secure banking facilities granted to the Group (Note 29(a)(ii)).

15. INTANGIBLE ASSETS

Group

	Cable use rights HK$'000
COST	
As at 1 January 2009	3,625
Exchange fluctuation	2
As at 31 December 2009 and 31 December 2010	3,627
ACCUMULATED AMORTISATION	
As at 1 January 2009	3,233
Charge for the year	392
Exchange fluctuation	2
As at 31 December 2009 and 31 December 2010	3,627
NET CARRYING AMOUNT	
As at 31 December 2010	–
As at 31 December 2009	–

All of the Group's cable use rights were acquired from third parties.

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

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

16. INTERESTS IN SUBSIDIARIES

Company

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**11,736**	11,736
Loans to subsidiaries	**146,185**	146,185
Amounts due from subsidiaries	**769,275**	825,490
	927,196	983,411
Less: allowance for loans to/amounts due from subsidiaries	**(728,420)**	(779,765)
	198,776	203,646

The loans to subsidiaries and amounts due from 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 interest-free. The loans to subsidiaries are interest-bearing at interest rate ranging from prime rate quoted by a bank in Hong Kong minus 1.5% to plus 2% per annum (2009: prime rate plus 1.5% to 5% per annum).

Accumulated allowances for loans to subsidiaries and amounts due from subsidiaries of HK$728,420,000 (2009: HK$779,765,000) were recognised as at 31 December 2010 because their recoverable amounts were estimated to be less than their respective carrying amounts.

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2010 are as follows:

Company	Country or place of incorporation or establishment/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Company		Nature of business
			Direct	Indirect	
Cellcast (Asia) Limited	British Virgin Islands/ Hong Kong	US$45,525	–	82.38%	Inactive
Circle Telecom USA, LLC^Δ	USA	US$100	–	100%	Dormant
Cornwick Investments Limited	Hong Kong	HK$2	–	100%	Holding investment properties in Hong Kong
Drive USA Inc.*	USA	US$10	–	100%	Dormant
Enhanced Life Services Limited	Hong Kong	HK$1	–	100%	Inactive
Katharsis Trading Limited	Mainland China	RMB1,010,000	–	100%	Inactive
Media Elite Limited	British Virgin Islands	US$16,000	–	100%	Dormant
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. Macau Entertainment Company Limited	British Virgin Islands	US$1	100%	–	Dormant

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16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2010 are as follows *(continued)*:

Company	Country or place of incorporation or establishment/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Company		Nature of business
			Direct	Indirect	
S.I. Entertainment Investment (801) Limited	British Virgin Islands	US$1	100%	–	Investment holding
S.I. TV Shopping (BVI) Limited	British Virgin Islands	US$1	100%	–	Dormant
S.I. Travel Group Limited	British Virgin Islands/Hong Kong	US$1	100%	–	Trading
Sai Chak Company Limited	Hong Kong	HK$100,000	–	100%	Holding investment properties in Hong Kong
Sino Front Investments Limited	Hong Kong	HK$1	–	100%	Securities investment and investment holding
Sky Telemedia (China) Limited	Hong Kong	HK$100	–	100%	Dormant
Sun Innovation Entertainment Media Group Limited	British Virgin Islands	US$1	100%	–	Dormant
Sun Innovation HK Properties Holdings Limited	British Virgin Islands	US$1	–	100%	Investment holding
Sun Innovation Management Services Limited	Hong Kong	HK$2	100%	–	Provision of management services

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2010 are as follows *(continued)*:

Company	Country or place of incorporation or establishment/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Company Direct	Indirect	Nature of business
Sun Innovation Media Group Limited	British Virgin Islands	US$1,000	–	100%	Dormant
Sun Innovation Properties Holdings Limited	British Virgin Islands	US$2	100%	–	Investment holding
Sun Innovation Resources Limited	Hong Kong	HK$2	–	100%	Provision of management services
Sun Innovation Telecommunication Group Limited	British Virgin Islands	US$1	–	100%	Dormant
Wide Profit Enterprises Limited	British Virgin Islands	US$100	–	100%	Investment holding
廣州市泓亮商務有限公司	Mainland China	RMB100,000	–	100%	Inactive

Notes:

* The subsidiary was dissolved in January 2011.
Δ The subsidiary was dissolved in February 2011.

All the above are limited liability companies.

Certain subsidiaries of the Group were disposed of or deregistered/dissolved during the prior and current years, details of which are set out in Note 25.

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

17. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables, net of allowance	**4,987**	2,336	**–**	–
Other receivables and prepayments, net of allowance	**3,464**	3,729	**1,527**	1,475
	8,451	6,065	**1,527**	1,475

(i) The directors consider that the carrying amounts of trade receivables, other receivables and prepayments approximate their fair values as at 31 December 2009 and 2010.

No interest is charged on trade and other receivables.

(ii) The Group normally allows an average credit period of 30 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 as of the end of reporting period was as follows:

	2010	2009
	HK$'000	HK$'000
Current	**4,931**	733
31 to 60 days	**20**	463
61 to 90 days	**19**	347
Over 90 days	**17**	793
	4,987	2,336

As at 31 December 2010, the Group's trade receivables of HK$3,751,000 (2009: HK$2,034,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or had prolonged delay in settlement, and management assessed that any amount of the impaired receivables is expected to be irrecoverable. Consequently, an accumulated specific allowance for doubtful debts of HK$3,751,000 (2009: HK$2,034,000) was made. The Group does not hold 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.

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

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

	Group	
	2010	2009
	HK$'000	HK$'000
As at 1 January	**2,034**	512
Allowance for doubtful debts	**1,701**	1,532
Exchange fluctuation	**16**	(10)
As at 31 December	**3,751**	2,034

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

	Group	
	2010	2009
	HK$'000	HK$'000
As at 1 January	**88**	88
Allowance for doubtful debts	**1,013**	–
As at 31 December	**1,101**	88

18. BANK BALANCES AND CASH

As at 31 December 2010, included in the bank balances and cash of the Group was an amount of HK$16,000 (2009: HK$21,000) 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**1,722**	980	**–**	–
Other payables and accruals	**4,389**	4,936	**559**	692
	6,111	5,916	**559**	692

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 2009 and 2010.

The ageing analysis of the Group's trade payables as of the end of reporting period was as follows:

	2010	2009
	HK$'000	HK$'000
Current	**151**	142
31 to 60 days	**126**	204
61 to 90 days	**129**	74
Over 90 days	**1,316**	560
	1,722	980

20. BANK AND OTHER BORROWINGS

The analysis of the carrying amount of bank and other borrowings is as follows:

	Group		
	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
Current liabilities			
Bank loans – secured:			
Portion of term loans due for repayment within one year	**7,432**	3,380	28,468
Portion of term loans due for repayment after one year which contain a repayment on demand clause	**47,398**	54,731	34,980
Other loan – unsecured:			
On demand or within one year	**–**	–	20,295
	54,830	58,111	83,743
Non-current liabilities			
Other loan – unsecured:			
After one year but within two years	**–**	50	–
	54,830	58,161	83,743

20. BANK AND OTHER BORROWINGS *(continued)*

	Company		
	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
Current liabilities			
Bank loans – secured:			
Portion of term loans due for repayment within one year	**2,071**	1,822	27,960
Portion of term loans due for repayment after one year which contain a repayment on demand clause	**40,411**	42,475	26,890
Other loan – unsecured:			
On demand or within one year	**–**	–	20,295
	42,482	44,297	75,145

The borrowings were due for repayment as follows:

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Bank loans – secured:				
On demand or within one year	**7,432**	3,380	**2,071**	1,822
After one year but within two years	**2,757**	3,726	**2,236**	2,085
In the second to fifth years inclusive	**8,529**	12,055	**6,874**	6,820
Over five years	**36,112**	38,950	**31,301**	33,570
	54,830	58,111	**42,482**	44,297
Other loan – unsecured:				
After one year but within two years	**–**	50	**–**	–
	54,830	58,161	**42,482**	44,297

The presentation of the amounts due above is based on the scheduled repayment dates set out in the loan agreements and does not take into account the effect of any repayment on demand clause.

20. BANK AND OTHER BORROWINGS *(continued)*

As at 31 December 2010, the Group's bank loans consisted of:

(i) Bank loans which are secured by investment properties of the Group located in Hong Kong (Note 14) and cross guarantees given by the Company and certain subsidiaries of the Company.

(ii) A bank loan granted to a subsidiary of the Company (the "Subsidiary"), under the Special Loan Guarantee Scheme (the "SME loan") of the Hong Kong Special Administrative Region Government (the "Government") to the extent of HK$6 million. It represented a 5-year instalment loan which is 80% guaranteed by the Government and a corporate guarantee was provided to the bank by the Subsidiary's immediate holding company which is also an indirect wholly-owned subsidiary of the Company. As the loan agreement contains a repayment on demand clause, the entire outstanding SME loan as at 31 December 2009 and 2010 was classified under the current liabilities of the Group in these financial statements.

Pursuant to the Company's announcement dated 20 December 2010, the Group decided not to continue to finance its entertainment media business, and the Subsidiary, as one of the group companies engaged in the entertainment media business, ceased its operation before 31 December 2010, and has stopped the instalment repayment of the SME loan which was due on 26 December 2010. The aforesaid bank had issued a demand letter to the Subsidiary and stated that it might take any legal action against the Subsidiary in respect of the repayment of the SME loan. However, there was no corporate guarantee issued by the Company in favour of the Subsidiary. The Company has consulted with the Company's legal counsel and the directors of the Company are of the opinion that adequate provisions have been made in these financial statements, and the above matter in the repayment of the SME loan has no further material adverse financial impact to the Company or the Group.

Certain of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach these covenants, the borrowing facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

Save as disclosed in (ii) above, the Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements, and none of the covenants relating to drawn down facilities had been breached as at 31 December 2010 (2009: HK$Nil). Further details of the Group's management of liquidity risk are set out in Note 34(b).

20. BANK AND OTHER BORROWINGS *(continued)*

As at 31 December 2009 and 2010, all the bank loans of the Group and the Company are denominated in Hong Kong dollars.

The bank loans bear floating interest rates at effective rates ranging from 2.07% to 6.25% (2009: 2.05% to 11.25%) per annum and have maturity date falling within 2011 to 2023.

The directors of the Company consider that the carrying amounts of the Group's and the Company's bank and other borrowings approximate their fair values as at 31 December 2009 and 2010.

As at 31 December 2009, other loan was unsecured, interest-bearing at prime rate quoted by a bank in Hong Kong plus 5.5% per annum and was repayable within eighteen months from the respective drawdown dates of the loan agreements. During the year, the other loan has been fully settled.

21. CONVERTIBLE BONDS

(a) 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$7,200,000. 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 of the Company in 2007, 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 the 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 constituted an issue of another convertible bond (the "Old Bond") to Violet Profit. The maturity date of the Old Bond was 18 months from the original maturity date with a right to convert the whole or part of the principal amount of the Old Bond into conversion shares, in multiples of 2,000,000 conversion shares. The conversion price was HK$0.105, subject to adjustment as stated in the terms and conditions in the original subscription agreement for subdivision or consolidation of shares issued and other events with dilution effect.

21. CONVERTIBLE BONDS *(continued)*

(a) The exercise of conversion option embedded in the Old 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 was therefore accounted for as a financial liability. The principal amount of HK$7,200,000 from the issue of the Old Bond was split into liability and derivative components. On issue of the Old Bond, the fair value of the derivative component was determined using an option pricing model and the amount was carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds was allocated to the liability component and was carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component was measured at fair value on the issue date and any subsequent changes in fair value of the derivative component as at the end of reporting period were recognised in profit or loss.

On 24 August 2009, the Old Bond in the principal amount of HK$7,200,000 and carrying value of HK$9,102,000 was fully converted into 68,571,428 shares of par value of HK$0.10 each of the Company (Note 22(d)).

(b) On 17 June 2009, the Company entered into a placing agreement with a placing agent regarding a "best-efforts" placing of convertible bonds in the principal amount of HK$200,000,000 at a conversion price of HK$0.04 per share (the "Placing Bonds"). On the same date, the Company also entered into a subscription agreement with Wise Sun Holdings Limited ("Wise Sun") for subscription of convertible bonds in the principal amount of HK$120,000,000 at a conversion price of HK$0.04 per share (the "Subscription Bonds", the Placing Bonds and the Subscription Bonds are collectively referred to as the "New Bonds"). Further details of the New Bonds were set out in the Company's announcement dated 17 June 2009.

In September 2009, the Company issued the Subscription Bonds in the aggregate principal amount of HK$120,000,000 to Wise Sun and the Placing Bonds in the aggregate principal amount of HK$200,000,000 to various subscribers. Further details of the completion of the subscription and placing of the New Bonds were set out in the Company's announcements dated 4 and 18 September 2009.

The maturity date of the New Bonds is the second anniversary from the date of issue of an aggregate principal amount of HK$30,000,000 of the Subscription Bonds that are committed by Wise Sun to subscribe under the subscription agreement (i.e. maturity on 4 September 2011). The New Bonds bore coupon interest on the outstanding principal amount thereof from the date of issue at a coupon interest rate of 0.5% per annum.

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21. CONVERTIBLE BONDS *(continued)*

(b) Since the exercise of conversion option embedded in the New Bonds would result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company, the embedded conversion option is therefore accounted for as an equity instrument. The aggregate principal amount of HK$320,000,000 from the issue of the New Bonds has been split into liability and equity components. On the issue of the New Bonds, the fair value of the liability component and the residual value of equity component were determined as approximately HK$256,491,000 and HK$63,509,000 respectively, based on the valuation by BMI Appraisal Limited, an independent firm of professionally qualified valuers. The liability component is carried as a non-current liability on the amortised cost basis until extinguished or conversion. The carrying amount of the conversion option credited to equity is not re-measured in subsequent periods.

In prior year, the New Bonds in the principal amounts of HK$85,000,000 and HK$192,000,000 were converted into shares of the Company in October and November 2009 respectively. The conversions gave rise to the issue of 6,925,000,000 shares (Note 22(e)) of the Company and reduction in carrying value of liability component and equity component by HK$221,804,000 and HK$54,076,000 respectively.

During the year, the New Bonds in the principal amounts of HK$1,000,000 and HK$4,000,000 were converted into shares of the Company in June and November 2010 respectively. The conversion gave rise to the issue of 125,000,000 shares (Note 22(e)) of the Company and reduction in carrying value of liability component and equity component by HK$4,530,000 and HK$991,000 respectively.

As at 31 December 2010, the remaining principal amount of the New Bonds amounted to HK$38,000,000 (2009: HK$43,000,000) with carrying value of HK$35,188,000 (2009: HK$35,596,000) as liability.

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 2009 and 2010 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
As at 1 January 2009	5,284	–	380	5,664
Issue of the New Bonds (b)	256,491	63,509	–	320,000
Direct expenses incurred for the issue of the New Bonds	(3,681)	(911)	–	(4,592)
Issue of shares upon conversion of the Old Bond (a) *(Note 22(d))*	(6,693)	–	(2,409)	(9,102)
Issue of shares upon conversion of the New Bonds (b) *(Note 22(e))*	(221,804)	(54,076)	–	(275,880)
Fair value loss *(Note 6)*	–	–	2,029	2,029
Effective interest expense recognised *(Note 8)*	6,254	–	–	6,254
Interest paid	(255)	–	–	(255)
As at 31 December 2009, with liability component classified under non-current liabilities	35,596	8,522	–	44,118
Issue of shares upon conversion of the New Bonds (b) *(Note 22(e))*	(4,530)	(991)	–	(5,521)
Effective interest expense recognised *(Note 8)*	4,333	–	–	4,333
Interest paid	(211)	–	–	(211)
As at 31 December 2010, with liability component classified under current liabilities	**35,188**	**7,531**	**–**	**42,719**

Effective interests on the convertible bonds for the years ended 31 December 2009 and 2010 are calculated using the effective interest method by applying the average effective interest rate of 11.80% per annum.

In respect of the New Bonds, the fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible liability. The residual amount, representing the value of the equity component, is included in equity. The fair values of the liability components included in the New Bonds are determined taking into account the valuation performed by BMI Appraisal Limited, using the Discounted Cash Flow Method.

Note: For the period from 1 January 2009 to the date of the full conversion of the Old Bond, the fair value of the derivative component of the Old Bond increased and resulted in a fair value loss of HK$2,029,000 (Note 6).

22. SHARE CAPITAL

	Number of ordinary shares 2010	Number of ordinary shares 2009	Amount 2010 HK$'000	Amount 2009 HK$'000
Authorised ordinary shares:				
As at 1 January 2009 of HK$0.10 each and 1 January 2010 of HK$0.01 each	**75,000,000,000**	7,300,000,000	**750,000**	730,000
Subdivision and increase of authorised ordinary shares *(note (a) (iii) & (vii))*	**–**	67,700,000,000	**–**	20,000
As at 31 December 2009 and 2010 of HK$0.01 each	**75,000,000,000**	75,000,000,000	**750,000**	750,000
Issued and fully paid ordinary shares:				
As at 1 January 2009 of HK$0.10 each and 1 January 2010 of HK$0.01 each	**8,757,685,768**	1,470,040,740	**87,577**	147,004
Issue of shares on exercise of warrants *(note (b))*	**–**	73,600	**–**	7
Issue of shares on placement *(note (c))*	**–**	294,000,000	**–**	29,400
Issue of shares upon conversion of convertible bonds *(note (d))*	**–**	68,571,428	**–**	6,857
Reduction of share capital *(note (a)(ii) & (v))*	**–**	–	**–**	(164,941)
Issue of shares upon conversion of convertible bonds *(note (e))*	**125,000,000**	6,925,000,000	**1,250**	69,250
As at 31 December 2009 and 2010 of HK$0.01 each	**8,882,685,768**	8,757,685,768	**88,827**	87,577

In prior year, pursuant to the capital reorganisation as described in Note 22(a)(i), the authorised convertible preference share ("CPS") capital of HK$20,000,000, divided into 2,000,000,000 CPSs at HK$0.01 each were cancelled.

22. SHARE CAPITAL *(continued)*

Notes:

(a) A special resolution was passed at a special general meeting held on 26 August 2009 approving a capital reorganisation scheme (the "Capital Reorganisation") of the Company which became effective on 27 August 2009. The Capital Reorganisation involved:

(i) the cancellation of the authorised but unissued CPS capital of HK$20,000,000 divided into 2,000,000,000 CPS of HK$0.01 each.

(ii) the reduction of the paid-up nominal value of each issued share from HK$0.10 to HK$0.01 by cancelling HK$0.09 per existing share (the "Capital Reduction").

(iii) the subdivision of each authorised but unissued existing share of HK$0.10 each into 10 new shares of HK$0.01 each.

(iv) all amounts standing to the credit of the share premium account of the Company be cancelled and the credit arising therefrom be transferred to the contributed surplus account of the Company. The share premium transferred to the contributed surplus account amounted to HK$64,146,000.

(v) the credit amount of HK$164,941,000 arising from the Capital Reduction was credited to the contributed surplus account of the Company.

(vi) the authorisation to the directors to apply the entire amount standing to the credit of the contributed surplus account immediately after (iv) and (v) above to eliminate against the accumulated losses of the Company. In prior year, contributed surplus of HK$179,577,000 in total has been applied to set off against accumulated losses pursuant to the Capital Reorganisation.

(vii) the increase in the authorised share capital of the Company to HK$750,000,000 divided into 75,000,000,000 new shares of HK$0.01 each.

(b) In prior year, 73,600 new ordinary shares of par value of HK$0.10 each were issued to the holders of unlisted warrants of the Company at a conversion price of HK$0.215 each. The conversion gave rise to a credit of HK$7,000 and HK$8,000 to the share capital and share premium account respectively; and also a transfer of HK$8,000 from the warrants reserve to the share premium account. All other warrants were lapsed in prior year and therefore the remaining HK$2,183,000 standing in the warrants reserve was also released to accumulated losses.

(c) On 8 July 2009, 294,000,000 new ordinary shares of par value HK$0.10 each were issued at subscription price of HK$0.1441 each to the then independent third parties of the Group at an aggregate consideration of HK$41,277,000, net of issuing expenses, of which HK$29,400,000 was credited to share capital and the remaining balance of HK$11,877,000 was credited to the share premium account. Further details were set out in the Company's announcement dated 8 July 2009.

22. SHARE CAPITAL *(continued)*

Notes (continued):

(d) In prior year, 68,571,428 new ordinary shares of par value HK$0.10 each were issued at a conversion price of HK$0.105 each on exercise of the Old Bond, resulting in release of the financial derivative component and the liability component in aggregate, at the date of conversion of approximately HK$9,102,000 (Note 21(a)). The conversion gave rise to a credit to share capital of HK$6,857,000 and the remaining balance of HK$2,245,000 was credited to the share premium account.

(e) During the year, 125,000,000 (2009: 6,925,000,000) new ordinary shares (Note 21(b)) of par value HK$0.01 each were issued at a conversion price of HK$0.04 (2009: HK$0.04) each on exercise of the New Bonds, resulting in release of liability and equity components of the New Bonds by an aggregate amount of HK$5,521,000 (2009: HK$275,880,000) of which HK$1,250,000 (2009: HK$69,250,000) was credited to share capital and the remaining balance of HK$4,271,000 (2009: HK$206,630,000) was credited to the share premium account.

23. RESERVES

Company

	Notes	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
As at 1 January 2009		50,008	2,191	–	3,487	–	(162,347)	(106,661)
Issue of convertible bonds	21	–	–	63,509	–	–	–	63,509
Direct costs incurred for issue of convertible bonds	21	–	–	(911)	–	–	–	(911)
Issue of shares on the exercise of warrants	22(b)	16	(8)	–	–	–	–	8
Release upon lapse of warrants	22(b)	–	(2,183)	–	–	–	2,183	–
Issue of shares on placement	22(c)	11,877	–	–	–	–	–	11,877
Issue of shares upon conversion of convertible bonds	22(d)	2,245	–	–	–	–	–	2,245
Share premium balance transferred to contributed surplus pursuant to the capital reorganisation	22(a)(iv)	(64,146)	–	–	–	64,146	–	–
Capital reduction pursuant to the capital reorganisation	22(a)(ii)&(v)	–	–	–	–	164,941	–	164,941
Contributed surplus set off against accumulated losses pursuant to the capital reorganisation	22(a)(vi)	–	–	–	–	(179,577)	179,577	–
Issue of shares upon conversion of convertible bonds	21(b)&22(e)	206,630	–	(54,076)	–	–	–	152,554
Release upon lapse and surrender of share options	24(i)	–	–	–	(3,487)	–	3,487	–
Total comprehensive income for the year		–	–	–	–	–	(62,185)	(62,185)
As at 31 December 2009		206,630	–	8,522	–	49,510	(39,285)	225,377
Issue of shares upon conversion of convertible bonds	21(b)&22(e)	4,271	–	(991)	–	–	–	3,280
Total comprehensive income for the year		–	–	–	–	–	(29,594)	(29,594)
As at 31 December 2010		**210,901**	**–**	**7,531**	**–**	**49,510**	**(68,879)**	**199,063**

23. RESERVES *(continued)*

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 5 million unlisted warrants at HK$0.10 each and issuance of 16,905,460 warrants in open offer at par value of HK$0.10 each in 2007, which lapsed upon expiry on 31 May 2009.

(iii) **Convertible bonds – equity component**

This reserve represents the value of the unexercised equity component of convertible bonds issued by the Group net of related deferred tax and direct issue costs, where applicable.

(iv) **Land and buildings revaluation reserve**

Land and buildings revaluation reserve arose in 2005 upon the fair value adjustment when the Group reclassified its land and buildings as 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 employees, directors of the Company and its subsidiaries, recognised in accordance with the accounting policy in Note 3 "Employees' benefits – Share-based payments".

(vi) **Contributed surplus**

Contributed surplus of the Group represents the net balance of (i) the credit arising from the Capital Reorganisation be transferred to the contributed surplus account and; (ii) all amounts standing to the credit of the share premium account of the Company immediately after the Capital Reorganisation be cancelled and the credit arising therefrom be transferred to the contributed surplus. Both took place in the prior year.

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 RMB. The reserve is dealt with in accordance with the accounting policy in Note 3 "Translation of foreign currencies".

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of reporting period (2009: HK$Nil).

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 to adopt the changes in the Chapter 17 of the Listing Rules, under which the Company may grant options to any executive or non-executive directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards.

In prior year, all share options were either surrendered or lapsed, resulting in the release of share option reserve of HK$3,487,000 to accumulated losses.

As at 31 December 2009 and 2010, no share option had been granted.

(ii) Options granted under general mandate

No option was granted under general mandate during the year (2009: Nil).

Movements of share options of the Company during the year ended 31 December 2009 were as follows:

	Number of Share Options			
	Outstanding as at 1.1.2009 '000	**Lapsed during 2009 '000**	**Surrendered during 2009 '000**	**Outstanding as at 31.12.2009 and 31.12.2010 '000**
Category:				
2002 Option Scheme *(note (i))*				
Directors	24,236	–	(24,236)	–
Employees	843	(843)	–	–
Total number of share options	25,079	(843)	(24,236)	–
Weighted average exercise price	0.490	0.180	0.501	N/A

25. DISPOSAL AND DEREGISTRATION/DISSOLUTION OF SUBSIDIARIES

During the current year, Drive HK Limited, Drive Media (BVI) Limited, Foreign Equity Limited, Media Elite HK Limited and Sun Marketing (Macau) Limited, which were the then subsidiaries of the Company, were deregistered/dissolved.

On 28 February 2009, the Group entered into a sale and purchase agreement to dispose of FilMacau Company Limited for a cash consideration of HK$88,000.

On 22 May 2009, the Group entered into a sale and purchase agreement to dispose of Million Year Consultants Limited for a cash consideration of RMB12 million, equivalent to approximately HK$13,503,000.

On 30 September 2009, the Group completed the disposal of (i) S.I. Finance Group Limited, (ii) S.I. Investments Limited, (iii) S.I. Investments and Finance Limited, (iv) S.I. Hotel Investments Limited and (v) S.I. Hotel (Project Management) Limited for an aggregate cash consideration of HK$5,000.

S.I. Media Shopping Limited and Cellcast Technology (Shenzhen) Limited, which were wholly-owned subsidiaries of the Company, were struck off and deregistered on 23 October 2009 and 4 January 2009 respectively.

25. DISPOSAL AND DEREGISTRATION/DISSOLUTION OF SUBSIDIARIES *(continued)*

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

	Notes	**2010 HK$'000**	2009 HK$'000
Property, plant and equipment	*13*	**1**	175
Investment properties	*14*	**–**	24,990
Trade receivables, other receivables and prepayments		**1**	310
Bank balances and cash		**–**	19
Trade payables, other payables and accruals		**–**	(285)
Tax payable		**–**	(728)
Deferred tax liabilities	*10(b)*	**–**	(1,010)
Net identifiable assets and liabilities		**2**	23,471
Release of exchange fluctuation reserve		**–**	(3,067)
Loss on disposal of subsidiaries, net		**(2)**	(8,634)
Net consideration		**–**	11,770
Satisfied by:			
Cash consideration		**–**	13,596
Direct costs incurred		**–**	(1,826)
		–	11,770
Net cash inflow arising on disposal:			
Cash consideration		**–**	13,596
Bank balances and cash disposed of		**–**	(19)
Direct costs paid		**–**	(1,826)
		–	11,751

The subsidiaries disposed of and deregistered/dissolved during the year ended 31 December 2010 did not have any contribution to the Group's turnover (2009: contributed turnover of HK$596,000) and contributed a net loss of approximately HK$423,000 (2009: HK$6,827,000) to the Group's operating results.

26. MAJOR NON-CASH TRANSACTIONS

As further detailed in Note 29(b)(ii), in June 2009, the Company obtained a short term loan facility of HK$60.0 million provided by Wise Sun. The Company has utilised HK$43.6 million of this short term facility in June 2009 and the amount was fully settled by offsetting part of proceeds from the subscription of the Subscription Bonds of HK$120.0 million by Wise Sun.

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 (the "MPF Scheme"), which are available to all Hong Kong employees. 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 (the "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$127,000 (2009: HK$526,000).

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. The Group has no further payment obligations once the contribution has been made.

28. OPERATING LEASE COMMITMENTS

(i) As at 31 December 2010, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group			
	Land and buildings		Equipment	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**2,625**	1,763	**6**	11
Later than one year and not later than five years	**2,897**	166	**–**	6
	5,522	1,929	**6**	17

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

(ii) As at 31 December 2010, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Investment properties	
	2010	2009
	HK$'000	HK$'000
Not later than one year	**4,628**	2,984
Later than one year and not later than five years	**4,388**	400
	9,016	3,384

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 2010, the Group had aggregate banking facilities of HK$54,830,000 (2009: HK$58,000,000) from banks for guarantees and loans. The banking facilities are secured by:

(i) cross guarantees totalling HK$55,000,000 (2009: HK$55,000,000) given by the Company and certain of its subsidiaries in respect of a shared banking facility of 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) all investment properties of the Group (Note 14).

(iii) 80% guarantee given by the Government and a corporate guarantee from a subsidiary of the Company for the SME loan disclosed in Note 20.

(b) (i) The Group's unsecured revolving term loan facility of HK$20,000,000 from Quants Inc. ("Quants"), a former substantial shareholder of the Company, 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$20,000,000 from Quants was renewed on 31 December 2008 for a period of 18 months from 1 January 2009 to 30 June 2010. No amount was drawn by the Group from this facility during the year (2009: HK$Nil) and such facility expired on 30 June 2010.

(ii) In June 2009, the Company obtained a short term loan facility of HK$60 million provided by Wise Sun which was unsecured, interest-bearing at 5% per annum and repayable within six months from the date of first drawdown. The Company utilised HK$43.6 million of this short term facility in June 2009 and the amount was fully settled in September 2009 by offsetting part of the proceeds from the subscription of the Subscription Bonds of HK$120.0 million by Wise Sun.

30. LITIGATION

In previous years, a third party notice was served upon the Company to seek indemnity/contribution from the Company and was subsequently amended in October 1998. The Company was alleged to be in default of the co-operative agreement in respect of a corporate guarantee of HK$2,000,000. After obtaining legal advice from a lawyer, the directors were of the opinion that the case had been dormant for a number of years and was remote, and therefore no provision had been made in respect of the alleged claim. During the year, the Company obtained the court's order to dismiss the above proceeding.

As at 31 December 2010, the Group did not have any outstanding litigation.

31. CAPITAL COMMITMENTS

The Group and the Company did not have any significant capital commitments as at 31 December 2009 and 2010.

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 transaction between the Group and other related party, save as disclosed elsewhere in these financial statements, are as follows:

(a) In prior year, the Company incurred interest expenses for a short-term loan from Wise Sun of HK$489,000.

(b) The Company incurred interest expenses for the Subscription Bonds issued to Wise Sun of HK$3,919,000 (2009: HK$2,224,000) for the year.

(ii) Members of key management personnel 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 owners of the Company, comprising share capital and reserves disclosed in Note 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 requirements. 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 individual 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 30 days to 90 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 2010, the Group has a concentration of credit risk as 43% and 81% (2009: 18% and 63%) 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 statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantee which would expose the Group to credit risk. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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.

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 end of reporting period 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 end of reporting period) and the earliest date the Group and the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for borrowings is prepared based on the scheduled repayment dates:

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
2010				
Bank loans – repayable within one year	**7,432**	**7,782**	**7,782**	**–**
Bank loans – repayable after one year which contain a repayment on demand clause	**47,398**	**48,492**	**48,492**	**–**
Convertible bonds	**35,188**	**38,372**	**38,372**	**–**
Trade payables, other payables and accruals	**5,565**	**5,565**	**5,565**	**–**
	95,583	**100,211**	**100,211**	**–**
2009 (restated)				
Bank loans – repayable within one year	3,380	3,492	3,492	–
Bank loans – repayable after one year which contain a repayment on demand clause	54,731	56,076	56,076	–
Other loan	50	56	5	51
Convertible bonds	35,596	43,422	–	43,422
Trade payables, other payables and accruals	4,919	4,919	4,919	–
	98,676	107,965	64,492	43,473

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
2010				
Bank loans – repayable within one year	**2,071**	**2,117**	**2,117**	**–**
Bank loans – repayable after one year which contain a repayment on demand clause	**40,411**	**41,312**	**41,312**	**–**
Convertible bonds	**35,188**	**38,372**	**38,372**	**–**
Other payables and accruals	**537**	**537**	**537**	**–**
	78,207	**82,338**	**82,338**	**–**
Financial guarantee issued				
Maximum amount guaranteed	**–**	**–**	**7,494**	**–**
2009 (restated)				
Bank loans – repayable within one year	1,822	1,858	1,858	–
Bank loans – repayable after one year which contain a repayment on demand clause	42,475	43,339	43,339	–
Convertible bonds	35,596	43,422	–	43,422
Other payables and accruals	627	627	627	–
	80,520	89,246	45,824	43,422
Financial guarantee issued				
Maximum amount guaranteed	–	–	7,986	–

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in Note 20. Taking into account the Company's and the Group's financial positions, save as those disclosed in Note 20(ii), the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

34. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

Group	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
2010					
Bank loans – term loans subject to a repayment on demand clause based on scheduled repayments	**64,960**	**5,248**	**5,250**	**13,963**	**40,499**
2009					
Bank loans – term loans subject to a repayment on demand clause based on scheduled repayments	68,927	4,836	5,059	15,234	43,798

Company	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
2010					
Bank loans – term loans subject to a repayment on demand clause based on scheduled repayments	**50,557**	**3,017**	**3,136**	**9,255**	**35,149**
2009					
Bank loans – term loans subject to a repayment on demand clause based on scheduled repayments	52,528	2,722	2,945	9,126	37,735

34. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk

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

The following table details the interest rate profile of the Group's and the Company's net borrowings (as defined above) at the end of reporting period:

	Group			
	2010		2009	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed-rate borrowings				
Convertible bonds	**11.80**	**35,188**	11.80	35,596
Variable-rate borrowings				
Bank loans	**2.07-6.25**	**54,830**	2.05 – 11.25	58,111
Other loan	**–**	**–**	10.50	50
Total borrowings		**90,018**		93,757
Fixed-rate borrowings as a percentage of total borrowings		**39%**		38%

34. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk *(continued)*

	Company			
	2010		2009	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed-rate borrowings				
Convertible bonds	**11.80**	**35,188**	11.80	35,596
Variable-rate borrowings				
Bank loans	**2.07-2.34**	**42,482**	2.05 – 2.34	44,297
Total borrowings		**77,670**		79,893
Fixed-rate borrowings as a percentage of total borrowings		**45.3%**		44.6%

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

As at 31 December 2010, it is estimated that a general decrease/increase 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$1,612,000 (2009: HK$2,232,000). 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 end of reporting period 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 end of next reporting period. The analysis is performed on the same basis for 2009.

34. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Currency risk

Currency 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

As at the end of reporting period, the Group is not exposed to any equity price risk or commodity price risk, except for the fair value of derivative component of convertible bonds issued in the prior year.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009.

35. 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 2009 and 2010 may be categorised as follows:

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances), at amortised cost	**267,048**	300,144
Financial liabilities		
Financial liabilities, at amortised cost	**95,583**	98,676

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												
	2010			2009			2008	2007			2006		
	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000	HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Results													
Turnover	25,204	5,322	30,526	6,024	11,752	17,776	39,051	40,155	4,909	45,064	35,330	97,905	133,235
Loss attributable to owners of the Company	(21,804)	(7,559)	(29,363)	(55,734)	(6,529)	(62,263)	(107,117)	(50,785)	(14,087)	(64,872)	(27,730)	(2,313)	(30,043)
Assets and Liabilities													
Total assets	388,111	679	388,790	410,136	10,340	420,476	173,072	196,001	1,645	197,646	189,869	354,076	543,945
Total liabilities	(93,189)	(7,415)	(100,604)	(95,357)	(8,791)	(104,148)	(126,060)	(43,432)	(1,363)	(44,795)	(79,751)	(345,625)	(425,376)
	294,922	(6,736)	288,186	314,779	1,549	316,328	47,012	152,569	282	152,851	110,118	8,451	118,569
Non-controlling interest	–	1,596	1,596	–	(1,186)	(1,186)	(1,951)	(2,043)	–	(2,043)	(4)	–	(4)
Net assets attributable to owners of the Company	294,922	(5,140)	289,782	314,779	363	315,142	45,061	150,526	282	150,808	110,114	8,451	118,565

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

PARTICULARS OF PROPERTIES

		Type	Lease term
Properties held for investment			
(1)	Shop A (including the external walls), Ground Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	Commercial	Medium
(2)	Shop B (including the external walls), Ground Floor, 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