1. ORGANISATION AND OPERATIONS

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has its principal place of business at 3/F., Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of property investment, entertainment media, media shopping, telecommunication and financial services, details of which are set out in note 16 to the financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006.

The adoption of the new and revised HKFRSs did not result in substantial changes to the Company's and the Group's accounting policies nor have affected the amounts reported for the current or prior years except for HKAS 39 & HKFRS 4 (Amendments).

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue". The adoption of this amendment has had no material impact on the financial statements.

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

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics	1 March 2006
HK(IFRIC) – Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007

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

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared on a going concern basis notwithstanding the fact that the Group recorded a net current liabilities position as at 31 December 2006.

As disclosed in notes 36 (a), (b) and (c) to the financial statements, the Company raised working capital of HK$32.6 million in aggregate by way of issues of convertible bonds in March 2007. The maturity dates of the convertible bonds are 18 months from the respective dates of issue.

The Group's unutilised banking facilities as at 31 March 2007 amounted to approximately HK$21,562,000 (31 December 2006: HK$23,655,000). As disclosed in note 31(b) to the financial statements, an unsecured revolving term loan facility of HK$20,000,000 from Quants has been renewed on 12 April 2007 for a period of 18 months from 1 July 2007 to 31 December 2008.

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

Statement of compliance and basis of preparation of financial statements

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

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

Basis of consolidation

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

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

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of presentation *(continued)*

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

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

Revenue recognition

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

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

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

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

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

Property, plant and equipment

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

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is charged so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

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

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

Investment properties

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

Intangible assets

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

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

Impairment of assets

Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

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

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

Subsidiary

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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

Inventories

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

Financial instruments

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

(i) Trade receivables, other receivables and prepayments

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

(ii) Cash and cash equivalents

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

(iii) Financial liabilities and equity instruments

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

(iv) Borrowings

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

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

(v) Convertible preference shares

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

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

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

(vi) Trade payables, other payables and accruals

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

(vii) Equity instruments

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

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

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

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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.

Leases

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

The Group as lessor

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

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

The Group as lessee

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

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease. 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. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions and contingent liabilities

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

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

Translation of foreign currencies

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

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

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

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employees' benefits

Short term benefits

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

Retirement benefit schemes

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

Share-based payments

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

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

Borrowing costs

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

Related parties

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments

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

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect 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

(i) Deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale for which applicable tax rate is applied to the calculation of deferred tax arising on revaluation according to the tax consequences of the future recovery of the investment properties of the Group. As at 31 December 2005, the Group determined that all of its investment properties would be recovered through sale. Commencing from 1 January 2006, the Group has changed its judgment and expectation on the future recovery from the investment properties of the Group such that the properties are determined to be recovered through use instead of through sale. The change of the above judgement has been accounted for prospectively and resulted in an increase of deferred tax liabilities as at 31 December 2006 and deferred tax charge for the year then ended by an amount of HK$8,175,000. In respect of the investment properties purchased through acquisition of a subsidiary during the year, the Group also determined that these properties will be recovered through use.

(ii) 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 2006 was HK$6,552,000 (2005: HK$3,206,000). The amount of unrecognised tax losses at 31 December 2006 was HK$30,598,000 (2005: HK$49,507,000). Further details are set out in note 10 to the financial statements.

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

Estimation uncertainty

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

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

5. TURNOVER AND SEGMENT INFORMATION

Business segments

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

(i) property investment;

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

(iii) media shopping;

(iv) telecommunication; and

(v) financial services.

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

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	For the year ended 31 December 2006						
	Property investment HK$'000	Entertainment media HK$'000	Media shopping HK$'000	Telecom-munication HK$'000	Financial services HK$'000	Elimination HK$'000	Total HK$'000
Turnover							
External sales	4,552	121,174	4,818	2,562	129	–	133,235
Inter-segment sales	–	170	–	–	–	(170)	–
Total	4,552	121,344	4,818	2,562	129	(170)	133,235
Segment results	2,582	17,767	(3,467)	(547)	(1,408)		14,927
Other revenue							1,769
Unallocated corporate expenses							(19,132)
Operating loss							(2,436)
Finance costs							(17,883)
Gain on disposal of subsidiaries	3	3,346					3,349
Impairment of intangible assets and property, plant and equipment		(308)		(1,669)			(1,977)
Impairment of finance lease receivables		(6,475)					(6,475)
Loss before taxation							(25,422)
Taxation							(4,821)
Loss for the year							(30,243)

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	As at 31 December 2006					
	Property investment HK$'000	Entertainment media HK$'000	Media shopping HK$'000	Telecom-munication HK$'000	Financial services HK$'000	Total HK$'00
As at 31 December 2006						
Assets						
Segment assets	164,195	364,604	7,072	1,720	30	537,621
Unallocated assets						6,324
Total assets						543,945
Liabilities						
Segment liabilities	39,164	353,188	1,101	70	20	393,543
Unallocated liabilities						31,833
Total liabilities						425,376
For the year ended 31 December 2006						
Other information						
Additions to property, plant and equipment	22	2,440	1,042	–	–	3,504
Unallocated						1,243
						4,747
Additions to investment properties	558	–	–	–	–	558
Additions to intangible assets	–	308	–	–	–	308
Segment depreciation	3	1,775	84	406	–	2,268
Unallocated depreciation						473
						2,741
Amortisation of intangible assets	269	4,581	–	–	–	4,850
Fair value gain on investment properties, net	1,037	–	–	–	–	1,037
Allowance for finance lease receivables	187	–	–	–	1,303	1,490
Allowance for bad and doubtful debts	–	346	–	–	–	346
Unallocated allowance for bad and doubtful debts						68
						414
Share-based payment expense						442
Imputed interest on convertible preference shares						319

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

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

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

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

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments

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

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

For the year ended 31 December 2006

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

At 31 December 2006

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

For the year ended 31 December 2005

	Hong Kong HK$'000	Mainland China HK$'000	USA HK$'000	Japan HK$'000	Other HK$'000	Elimination HK$'000	Consolidated HK$'000
Turnover	30,384	9,452	4,335	50,353	–	(283)	94,241
Capital expenditure	1,743	307	128	47	203	–	2,428

At 31 December 2005

	Hong Kong HK$'000	Mainland China HK$'000	USA HK$'000	Japan HK$'000	Other HK$'000	Elimination HK$'000	Consolidated HK$'000
Segment assets	170,777	4,305	18,549	125,794	66	–	319,491

6. OTHER REVENUE

	2006 HK$'000	2005 HK$'000
Interest income	178	141
Management service income	1,430	306
Others	161	22
	1,769	469

7. OPERATING (LOSS) PROFIT

	2006 HK$'000	2005 HK$'000
Operating (loss) profit has been arrived at after charging:		
Allowance for bad and doubtful debts	414	190
Auditor's remuneration	832	642
Amortisation of intangible assets	4,850	4,481
Amortisation of prepaid lease payment	–	758
Depreciation	2,741	2,733
Loss on disposal of intangible assets	456	–
Loss on disposal of property, plant and equipment	942	440
Net exchange losses	282	363
Operating lease rentals in respect of rented premises	3,005	2,146
Allowance for finance lease receivables	1,490	–
Staff costs		
– Directors' remuneration *(note 9)*	8,436	10,212
– Other staff costs:		
Salaries, wages and other benefits	22,292	14,915
Retirement benefit scheme contributions	248	1,033
Equity-settled share-based payments	–	236
	30,976	26,396

8. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Imputed interest on convertible preference shares *(note 24)*	319	2,750
Finance charges on obligations under finance leases	15,596	1,478
Interests on:		
Borrowings wholly repayable within five years	909	950
Borrowings not wholly repayable within five years	1,059	800
	17,883	5,978

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The directors' remuneration is analysed as follows:

	2006 HK$'000	2005 HK$'000
Fees:		
Independent non-executive directors	304	208
Other emoluments paid to executive directors:		
Salaries and other benefits	6,897	5,154
Bonuses	1,014	1,580
Share-based payment	129	3,186
Retirement benefit scheme contributions	92	84
	8,132	10,004
	8,436	10,212

No directors waived remuneration in respect of the years ended 31 December 2006 and 2005.

	2006 HK$'000	2005 HK$'000
Michele Matsuda		
– Salaries and other benefits	3,349	2,291
– Bonuses	1,014	1,580
– Share-based payment	–	3,186
– Retirement benefit scheme contributions	60	60
	4,423	7,117

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

Directors' remuneration *(continued)*

	2006 HK$'000	2005 HK$'000
Yiu Ying Fai		
– Salaries and other benefits	724	–
– Share-based payment	129	–
– Retirement benefit scheme contributions	8	–
	861	–
Leung To Kwong, Valiant		
– Salaries and other benefits	1,397	1,413
– Share-based payment	–	–
– Retirement benefit scheme contributions	12	12
	1,409	1,425
Cheung Chi Fai, Frank		
– Salaries and other benefits	1,427	1,450
– Share-based payment	–	–
– Retirement benefit scheme contributions	12	12
	1,439	1,462
Daijiro Nishihama		
– Salaries and other benefits	–	–
– Share-based payment	–	–
– Retirement benefit scheme contributions	–	–
	–	–
Zhou Ji, Jason		
– Fee	96	72
Chen Tien-yiu, Theodore		
– Fee	96	72
Wong Tak Shing		
– Fee	72	–
Keijiro Hasegawa		
– Fee	40	64

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

Five highest paid employees

The five highest paid individuals of the Group included three (2005: three) executive directors of the Company, details of whose emoluments are set out above. The remuneration of the remaining two (2005: two) highest paid employees, other than directors of the Company, are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	2,111	1,881
Retirement benefit scheme contributions	11	12
	2,122	1,893

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

	2006	2005
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	2	1

10. TAXATION

	2006 HK$'000	2005 HK$'000
Taxation in the consolidated income statement represents:		
Current taxation – overseas		
Current year	440	–
Underprovision in respect of prior years	101	–
Deferred taxation	4,280	343
	4,821	343

Taxation for overseas subsidiaries has been calculated on the estimated assessable profits for the year ended 31 December 2006 at the appropriate current rates of taxation ruling in the countries in which the Group's subsidiaries operate. In prior year, no overseas income tax has been made as the Group has no overseas assessable profit in that year. No provision for Hong Kong profits tax has been made for the year as the Group has no assessable profit arising in Hong Kong (2005 : Nil).

10. TAXATION *(continued)*

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

	2006 HK$'000	2005 HK$'000
Loss before taxation	(25,422)	(7,022)
Taxation calculated at Hong Kong profits tax rate of 17.5% (2005: 17.5%)	(4,449)	(1,229)
Tax effect of expenses not deductible for tax purposes	13,100	6,521
Tax effect of income not taxable for tax purposes	(3,765)	(3,734)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(4,858)	320
Underprovision in respect of prior years	101	–
Tax effect on utilisation of previously unrecognised tax losses and other deductible temporary differences	(4,894)	(5,853)
Tax effect of unused tax losses and other deductible temporary differences not recognised	1,750	4,180
Tax effect of recognition of deductible temporary differences previously not recognised	7,946	–
Others	(110)	138
Taxation for the year	4,821	343

Deferred taxation

The movement in the major deferred tax (liabilities) assets recognised by the Group during the current and prior years are as follows:

	Accelerated tax depreciation HK$'000	Fair value-gains on investment properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2005	(1,538)	–	1,538	–
(Charge)/credit to consolidated income statement for the year	(2,011)	–	1,668	(343)
At 31 December 2005 and 1 January 2006	(3,549)	–	3,206	(343)
Credit/(charge) to consolidated income statement for the year	549	(8,175)	3,346	(4,280)
Acquisition of a subsidiary *(note 26)*	–	(373)	–	(373)
At 31 December 2006	(3,000)	(8,548)	6,552	(4,996)

10. TAXATION *(continued)*

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

	2006 HK$'000	2005 HK$'000
Deferred tax liabilities	**(11,548)**	(3,549)
Deferred tax assets	**6,552**	3,206
	(4,996)	(343)

At the balance sheet date, the Group has unused tax losses of HK$67,284,000 (2005 : HK$67,830,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$36,686,000 (2005 : HK$18,323,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$30,598,000 (2005: HK$49,507,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$1,569,000 (2005 : HK$4,311,000) that will expire in 2022 to 2024 and tax losses of HK$684,000 (2005: HK$220,000) that will expire in five years time since the respective dates of incurrence. Other tax losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of HK$1,325,000 (2005: HK$426,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

There were no other material unprovided deferred tax liabilities as at 31 December 2006 and 2005.

11. LOSS PER SHARE

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

	2006 HK$'000	2005 HK$'000
Loss for the year for the purpose of basic and diluted loss per share – net loss for the year	30,043	7,565

	Number of shares 2006	 2005
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	87,757,570	65,989,410

The computation of diluted loss per share for the years ended 31 December 2005 and 2006 does not assume the conversion of convertible preference shares and share options outstanding during these years since their exercises would result in an anti-dilutive effect on the basic loss per share for these years.

12. PROPERTY, PLANT AND EQUIPMENT

	Notes	Group Leasehold buildings HK$'000	Group Furniture, fixtures and equipment HK$'000	Group Motor vehicles HK$'000	Group Total HK$'000	Company Furniture, fixtures and equipment HK$'000
COST						
As at 1 January 2005		7,140	18,803	–	25,943	31
Transfer to investment properties	13	(14,698)	–	–	(14,698)	–
Additions		646	1,782	–	2,428	9
Disposal of subsidiaries	27	(443)	–	–	(443)	–
Disposals		–	(962)	–	(962)	–
Fair value adjustment		7,355	–	–	7,355	–
As at 31 December 2005 and 1 January 2006		–	19,623	–	19,623	40
Additions		–	4,560	187	4,747	–
Disposal of subsidiaries	27	–	(1,806)	–	(1,806)	–
Disposals		–	(3,430)	–	(3,430)	–
Exchange fluctuation		–	66	–	66	–
As at 31 December 2006		–	19,013	187	19,200	40
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As at 1 January 2005		1,439	11,973	–	13,412	9
Provided for the year		397	2,336	–	2,733	6
Transfer to investment properties	13	(1,754)	–	–	(1,754)	–
Disposals		–	(426)	–	(426)	–
Disposal of subsidiaries	27	(82)	–	–	(82)	–
As at 31 December 2005 and 1 January 2006		–	13,883	–	13,883	15
Provided for the year		–	2,719	22	2,741	8
Disposal of subsidiaries	27	–	(960)	–	(960)	–
Disposals		–	(2,488)	–	(2,488)	–
Impairment		–	157	–	157	–
Exchange fluctuation		–	33	–	33	–
As at 31 December 2006		–	13,344	22	13,366	23
NET BOOK VALUE						
As at 31 December 2006		–	5,669	165	5,834	17
As at 31 December 2005		–	5,740	–	5,740	25

13. INVESTMENT PROPERTIES

Group	Notes	HK$'000
At 1 January 2005		90,246
Transfer from property, plant and equipment	*12*	12,944
Transfer from prepaid lease payment		37,306
Disposal of subsidiaries	*27*	(7,076)
Fair value gains, net		7,080
At 31 December 2005 and 1 January 2006		140,500
Acquisition of a subsidiary	*26*	20,714
Additions		558
Exchange fluctuation		192
Fair value gains, net		1,037
At 31 December 2006		163,001

Investment properties were valued at their open market value at 31 December 2006 by Vigers Appraisal & Consulting Limited, an independent professionally qualified valuer, on an open market value basis. This valuation gave rise to net fair value gain of HK$1,037,000 (2005: HK$7,080,000) which has been credited to the consolidated income statement. The deferred tax charges of HK$229,000 and HK$7,946,000 (note 10) arising from the current year valuation and prior years valuations, respectively, have been charged to the income statement for the year.

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

All of the Group's investment properties have been pledged to secure banking facilities granted to the Group (note 20).

The carrying amounts of investment properties are analysed as follows:

	2006 HK$'000	2005 HK$'000
Mainland China		
– medium term leases	22,001	–
Hong Kong		
– medium term leases	141,000	140,500
	163,001	140,500

14. INTANGIBLE ASSETS

Group

	Cable use rights HK$'000	Website software HK$'000	Licensing rights HK$'000	Total HK$'000
COST				
As at 1 January 2005	3,636	777	–	4,413
Additions	–	14	–	14
Acquisition of a subsidiary *(note 26)*	–	–	22,055	22,055
Exchange fluctuation	(10)	(64)	–	(74)
As at 31 December 2005 and 1 January 2006	3,626	727	22,055	26,408
Additions	–	–	308	308
Disposals	–	(793)	–	(793)
Exchange fluctuation	10	66	–	76
As at 31 December 2006	3,636	–	22,363	25,999
ACCUMULATED AMORTISATION AND IMPAIRMENT				
As at 1 January 2005	404	13	–	417
Amortisation	269	162	4,050	4,481
Exchange fluctuation	(1)	(16)	–	(17)
As at 31 December 2005 and 1 January 2006	672	159	4,050	4,881
Amortisation	269	163	4,418	4,850
Disposals	–	(337)	–	(337)
Impairment	1,512	–	308	1,820
Exchange fluctuation	2	15	–	17
As at 31 December 2006	2,455	–	8,776	11,231
NET BOOK VALUE				
As at 31 December 2006	1,181	–	13,587	14,768
As at 31 December 2005	2,954	568	18,005	21,527

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

15. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Amounts receivable under finance leases:				
Within one year	100,976	25,680	72,491	18,218
After first year but within second year	86,670	24,108	70,394	18,113
After the second to fifth years inclusive	197,282	67,226	187,749	59,445
	384,928	117,014		
Less: unearned finance income	(54,294)	(21,238)		
Present value of minimum lease payments receivable before impairment	330,634	95,776	330,634	95,776
Less: Allowance for finance lease receivables	(1,490)	–	(1,490)	–
Impairment loss	(6,475)	–	(6,475)	–
Present value of minimum lease payments receivable, net of allowance and impairment	322,669	95,776	322,669	95,776
Analysed as:				
Non-current finance lease receivables, net of allowance and impairment (recoverable after 12 months)			250,725	77,558
Current finance lease receivables (recoverable within 12 months)			71,944	18,218
			322,669	95,776

15. FINANCE LEASE RECEIVABLES *(continued)*

On 12 August and 15 November 2005, the Group entered into two management agreements with Freparnetwork Inc. ("Frepar"), a shareholder of the Company, to manage a maximum number of 3,400 digital content download kiosk machines for a period of 5 years, details of which were disclosed in circulars of the Company dated 8 September and 8 December 2005 respectively. These arrangements have been accounted for as finance leases. As at 31 December 2006, 2,699 (2005 : 600) machines have been leased to and managed by Frepar.

As disclosed in the announcement of the Company dated 12 March 2007, the Group entered into management termination deed with Frepar on 9 March 2007 to terminate the above finance leases, details of which are set out in note 36(d) to the financial statements.

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

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

The interest rates inherent in the leases are fixed at the contract date for the lease term. The weighted average interest rate on finance lease receivables at 31 December 2006 was 7.42% (2005: 8.45%). There is no estimated unguaranteed residual value of asset leased under finance leases.

As at 31 December 2006, all the finance lease receivables net of allowance and impairment of the Group are denominated in Japanese Yen. As at 31 December 2005, included in the finance lease receivables was an amount of HK$94,371,000 which was denominated in Japanese Yen.

16. INTERESTS IN SUBSIDIARIES

Company

	2006 HK$'000	2005 HK$'000
Unlisted shares/investments, at cost	11,737	11,737
Loans to subsidiaries	47,000	47,000
Amounts due from subsidiaries	695,158	683,487
	753,895	742,224
Less: allowance for amounts due from subsidiaries	(611,276)	(593,823)
	142,619	148,401

Loans to subsidiaries are unsecured, interest-bearing at prime rate plus 1.5% (2005: prime rate plus 1.5%) per annum, and have no fixed terms of repayment.

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

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

Particulars of the Company's principal subsidiaries as at 31 December 2006 are as follows:

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group Direct	Indirect	Nature of business
Cellcast (Asia) Limited	British Virgin Islands/ Hong Kong	US$37,525	–	99.93%	Provision of content and information services
Cellcast Technology (Shenzhen) Limited (i)	Mainland China	HK$1,000,000	–	100%	Investment holding
Channel Media Inc.	USA	US$1,000	–	100%	Provision of content and information services

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2006 are as follows *(continued)*:

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group Direct	Indirect	Nature of business
Circle Telecom USA, LLC	USA	US$100	–	100%	Provision of telecommunication services
Cornwick Investments Limited	Hong Kong	HK$2	–	100%	Holding investment properties in Hong Kong
Drive Limited	Japan	JPY10,000,000	–	100%	Provision of content and information services
Drive HK Limited	Hong Kong	HK$1	–	100%	Provision of content and information services
Drive Media (BVI) Limited (formerly known as Sun Innovation Marketing Group Limited)	British Virgin Islands/ Hong Kong	US$1	–	100%	Investment holding
Foreign Equity Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Investment holding
Katharsis Trading Limited (ii)	Mainland China	RMB1,010,000	–	100%	Provision of T.V. shopping services
Media Elite Limited	British Virgin Islands/ Hong Kong	US$16,000	–	100%	Provision of advertising agency services and magazine publishing

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2006 are as follows *(continued)*:

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group		Nature of business
			Direct	Indirect	
Media Elite HK Limited (formerly known as S.I. Japan Investments Limited)	Hong Kong	HK$100	–	100%	Investment holding
Media Elite Japan Limited	Japan	JPY10,000,000	–	100%	Distribution and sales of content and information
Million Year Consultants Limited ("Million Year") (iii)	British Virgin Islands/PRC	US$1	–	100%	Holding investment properties in Mainland China
New Multimedia Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Provision of content and information services
S.I . Corporate Services Limited	Hong Kong	HK$100	–	100%	Provision of corporate services
S.I. Finance Group Limited	British Virgin Islands/ Hong Kong	US$100	100%	–	Investment holding
S.I. Investments Limited	Hong Kong	HK$10,000	–	100%	Provision of investment advisory and capital leasing services
S.I. Investments and Finance Limited (formerly known as Easy Loan Services (Asia) Limited)	Hong Kong	HK$100	–	100%	Holding money lenders licence

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2006 are as follows *(continued)*:

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group Direct	Indirect	Nature of business
S.I. Media Shopping Limited (formerly known as S.I. Pest Control (PRC) Limited)	Hong Kong	HK$1	–	100%	Investment holding
S.I. TV Shopping (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Sai Chak Company Limited	Hong Kong	HK$100,000	–	100%	Holding investment properties in Hong Kong
Sky Telemedia (China) Limited	Hong Kong	HK$100	–	100%	Investment holding
Sun Innovation Entertainment Media Group Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Sun Innovation Hawaii, Inc. (to be renamed as Drive USA Inc.)	USA	US$10	–	100%	Investment holding and provision of management services
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 principal subsidiaries as at 31 December 2006 are as follows *(continued)*:

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group Direct	Indirect	Nature of business
Sun Innovation Media Group Limited	British Virgin Islands/ Hong Kong	US$1,000	–	100%	Investment holding
Sun Innovation Properties Holdings Limited	British Virgin Islands/ Hong Kong	US$2	100%	–	Investment holding
Sun Innovation Resources Limited	Hong Kong	HK$2	–	100%	Provision of management services
Sun Innovation Software LLC	USA	US$100	–	100%	Provision of content and information services
Sun Innovation Telecommunication Group Limited	British Virgin Islands	US$1	–	100%	Investment holding
Visual Paradise, Inc.	USA	US$200,000	–	100%	Provision of content and information services
Wide Profit Enterprises Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
惠州泓開商務諮詢有限公司	Mainland China	RMB100,000	–	100%	Provision of customer services
廣州市泓亮商務有限公司	Mainland China	RMB100,000	–	100%	Provision of customer services

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2006 are as follows *(continued)*:

Notes:

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

(ii) Katharsis Trading Limited, a wholly owned enterprise, was newly established in Mainland China on 6 March 2006.

(iii) During the year, the Group acquired 100% shareholding in Million Year, details of which are set out in note 26 to the financial statements.

(iv) During the year, the Group's entire 51% effective equity interest in New Power Limited ("New Power") was disposed to Mr. Zheng Jian She, a director of New Power. Details of the disposal of the subsidiary are set out in note 27 to the financial statements.

(v) During the year, seven wholly owned subsidiaries have been voluntarily liquidated and deregistered, details of which are set out in note 27 to the financial statements.

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

17. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 December 2005, the Company's and the Group's bank deposits of approximately HK$8,692,000 were pledged to a bank to secure the performance bond issued by that bank which was unpledged and uplifted in April 2006.

As at 31 December 2006, bank balances and cash of the Group included an amount of HK$1,463,000 (2005: HK$3,113,000) denominated in Renminbi ("RMB"). The 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.

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	18,581	16,646	–	–
Other receivables and prepayments	4,859	3,222	531	273
	23,440	19,868	531	273

The directors consider that the carrying amount of trade receivables, other receivables and prepayments approximates their fair value as at 31 December 2005 and 2006.

No interest is charged on trade receivables.

The Group normally allows an average credit period of 60 days to trade customers. As at 31 December 2006, the ageing analysis of the Group's trade receivables, net of provision, was as follows:

	2006	2005
	HK$'000	HK$'000
Current	8,840	12,458
31 to 60 days	6,419	892
61 to 90 days	2,071	1,211
Over 90 days	1,251	2,085
	18,581	16,646

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

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Trade payables	**15,018**	13,252	**–**	–
Other payables and accruals	**9,692**	15,230	**2,657**	7,373
	24,710	28,482	**2,657**	7,373
Payable for acquisition of a subsidiary	**15,878**	–	**–**	–
	40,588	28,482	**2,657**	7,373

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

Payable for acquisition of a subsidiary of approximately HK$15,878,000 (2005 : Nil) (note 26) represents payable to Quants Inc. ("Quants"), a shareholder of the Company, in relation to the Company's acquisition of a subsidiary from Quants. The amount is interest-free, unsecured and due on 31 January 2007. The balance has been fully settled on 16 February 2007. More details are set out in note 26 to the financial statements.

The directors consider that the carrying amount of trade payables, other payables and accruals and payable for acquisition of a subsidiary approximates their fair value as at 31 December 2005 and 2006.

As at 31 December 2006, the ageing analysis of the Group's trade payables was as follows:

	2006 HK$'000	2005 HK$'000
Current	**3,919**	4,719
31 to 60 days	**5,457**	1,487
61 to 90 days	**126**	225
Over 90 days	**5,516**	6,821
	15,018	13,252

20. BANK BORROWINGS – SECURED

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Bank overdrafts	–	456	–	456
Bank loans	46,266	38,937	29,000	19,000
	46,266	39,393	29,000	19,456

The borrowings are repayable as follows:

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
On demand or within one year	30,769	22,354	29,000	19,456
After first year but within second year	1,858	1,721	–	–
After the second to fifth years inclusive	5,260	5,800	–	–
Over five years	8,379	9,518	–	–
	46,266	39,393	29,000	19,456
Less: Amounts due within one year shown under current liabilities				
– Bank overdrafts	–	(456)	–	(456)
– Bank loans	(30,769)	(21,898)	(29,000)	(19,000)
	(30,769)	(22,354)	(29,000)	(19,456)
Amount due for settlement after one year	15,497	17,039	–	–

The bank loans are secured by investment properties of the Group with a total net book value of HK$163,001,000 (2005: HK$140,500,000) (note 13). The bank loans bear floating rates interest at effective rates ranging from 5.75% to 11.75% (2005: 2.35% to 6.15%) per annum. Except for the Group's bank borrowing of HK$217,000 (2005: HK$275,000) which are denominated in United States dollars, all the remaining bank borrowings of the Group and the Company are denominated in Hong Kong dollars.

Bank overdrafts were repayable on demand. The average effective interest rate on bank overdrafts approximated 7.1 % in the prior year and was determined based on prime rate.

The directors consider that the carrying amounts of the Group's and the Company's bank borrowings approximate to their fair values as at 31 December 2005 and 2006.

21. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Amounts payable under finance leases:				
Within one year	**80,176**	20,149	**52,935**	13,209
After one year but within two years	**83,762**	21,785	**66,498**	15,900
In the second to fifth years inclusive	**224,233**	74,078	**213,519**	65,882
	388,171	116,012		
Less: future finance charges	**(55,219)**	(21,021)		
Present value of lease obligations	**332,952**	94,991	**332,952**	94,991
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(52,935)**	(13,209)
Amount due for settlement after 12 months			**280,017**	81,782

On 12 August and 15 November 2005, the Group entered into two lease agreements with Quants, a shareholder of the Company, to lease a maximum number of 3,400 digital content download kiosk machines under finance leases. The term of the leases is 5 years, and the details were disclosed in circulars of the Company dated 8 September and 8 December 2005 respectively. These arrangements have been accounted for as finance leases. As at 31 December 2006, 2,699 (2005 : 600) machines have been leased from Quants. For the year ended 31 December 2006, the average effective borrowing rate was 6.79% (2005 : 7.73%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Japanese Yen.

As disclosed in the announcement of the Company dated 12 March 2007, the Group entered into a lease termination deed with Quants on 9 March 2007 to terminate the finance leases, details of which are set out in note 36(d) to the financial statements.

22. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2006	2005	2006 HK$'000	2005 HK$'000
Authorised ordinary shares:				
As at 1 January 2006 of HK$1 each and 1 January 2005 of HK$0.01 each	730,000,000	71,933,333,334	730,000	719,333
Consolidation of shares *(note (a))*	–	(71,214,000,000)	–	–
Increase in authorised ordinary share capital *(note (b))*	–	10,666,666	–	10,667
As at 31 December 2005 and 2006 of HK$1 each	730,000,000	730,000,000	730,000	730,000
Issued and fully paid ordinary shares:				
As at 1 January 2006 of HK$1 each and 1 January 2005 of HK$0.01 each	76,955,056	5,100,888,973	76,955	51,009
Issue of ordinary shares *(notes (c) and (d))*	13,218,000	2,594,616,666	13,218	25,946
Consolidation of shares *(note (a))*	–	(7,618,550,583)	–	–
As at 31 December 2005 and 2006 of HK$1 each	90,173,056	76,955,056	90,173	76,955

22. SHARE CAPITAL *(continued)*

Notes:

(a) Share consolidation

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

(b) Authorised share capital reclassification

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

(c) (i) In 2005, options were exercised by certain directors and employees to subscribe for 247,950,000 shares of HK$0.01 each in the Company at an average consideration of HK$0.0203 per share, totalling approximately HK$5,096,450.

(ii) On 4 May 2005, 90,000,000 share options were exercised to subscribe for 90,000,000 shares of HK$0.01 each of the Company at HK$0.02 per share.

(iii) On 24 January and 6 December 2005, the Company issued 196,000,000 and 294,000,000 ordinary shares of HK$0.01 each of the Company at HK$0.064 each and HK$0.033 each respectively to Frepar to acquire Drive Limited, a company incorporated in Japan.

(iv) During the year ended 31 December 2005, a total of 1,766,666,666 CPS were converted into 1,766,666,666 ordinary shares of HK$0.01 each at the conversion price of HK$0.0225 each (note 24(a)) before the Share Consolidation.

(d) During the year ended 31 December 2006, a total of 1,300,000,000 CPS were converted into 13,000,000 ordinary shares at the conversion price of HK$0.0225 each (note 24(b)) at the rate of 100 CPS converted to one ordinary share of the Company and 218,000 share options were exercised to subscribe for 218,000 ordinary shares at HK$2 per share (note 25).

23. RESERVES

	Share premium HK$'000	Convertible preference shares reserve HK$'000	Share-based payment reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Company						
At 1 January 2005	9,295	23,100	–	137,644	(152,133)	17,906
Issue of shares on acquisition of subsidiary	17,346	–	–	–	–	17,346
Conversion of convertible preference shares	23,073	(13,308)	–	–	–	9,765
Issue of shares on exercise of share options	3,518	–	–	–	–	3,518
Share reorganisation	(53,232)	–	–	53,232	–	–
Recognition of equity-settled share-based payment	–	–	8,042	–	–	8,042
Release upon lapse of share options	–	–	(48)	–	48	–
Loss for the year	–	–	–	–	(16,275)	(16,275)
At 31 December 2005 and 1 January 2006	–	9,792	7,994	190,876	(168,360)	40,302
Conversion of convertible preference shares	18,329	(9,792)	–	–	–	8,537
Issue of shares on exercise of share options	218	–	–	–	–	218
Distribution of contributed surplus	–	–	–	(9,018)	–	(9,018)
Recognition of equity-settled share-based payment	–	–	442	–	–	442
Loss for the year	–	–	–	–	(18,819)	(18,819)
At 31 December 2006	18,547	–	8,436	181,858	(187,179)	21,662

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

23. RESERVES *(continued)*

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

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

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

As disclosed in the Company's announcement dated 27 July 2006, the directors resolved to declare and distribute the contributed surplus of HK$0.1 per share to the shareholders of the Company whose names appeared on the register of members of the Company on 14 August 2006. The total amount of the distribution is approximately HK$9,018,000. As at 31 December 2006, the Company did not have reserves available for distribution (2005: HK$22,516,000). No dividend was declared or paid during the year (2005: Nil).

24. CONVERTIBLE PREFERENCE SHARES

Group and Company	**2006 Number of CPS**	2005 Number of CPS
Authorised convertible preference shares:		
At the beginning of year, all CPS of HK$0.01 each	**2,000,000,000**	3,066,666,666
Reduction during the year *(note 22(b))*	**–**	(1,066,666,666)
At the end of year	**2,000,000,000**	2,000,000,000

The movement of the issued CPS for the year is set out below:

	Number of CPS	**Equity component HK$'000**	**Liability component HK$'000**	**Total HK$'000**
At 1 January 2005	3,066,666,666	23,100	45,900	69,000
Imputed interest *(note 8)*	–	–	2,750	2,750
Converted to ordinary shares *(note (a))*	(1,766,666,666)	(13,308)	(27,432)	(40,740)
At 31 December 2005 and 1 January 2006	1,300,000,000	9,792	21,218	31,010
Imputed interest *(note 8)*	–	–	319	319
Converted to ordinary shares *(note (b))*	(1,300,000,000)	(9,792)	(21,537)	(31,329)
At 31 December 2006	–	–	–	–

24. CONVERTIBLE PREFERENCE SHARES *(continued)*

The principal terms of the CPS are set out below:

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

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

- Holders of the CPS will be entitled to convert their shares in multiples of 100,000,000 into ordinary shares of HK$0.01 each at any time from the date of issue up to 29 January 2010 at a conversion price of HK$0.0225 per share, subject to adjustment.

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

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

Notes:

(a) In 2005, a total of 1,766,666,666 CPS were converted into 1,766,666,666 ordinary shares of HK$0.01 each at the conversion price of HK$0.0225 each (note 22(c)(iv)) before the Share Consolidation.

(b) In 2006, a total of 1,300,000,000 CPS were converted into 13,000,000 ordinary shares of HK$1.00 each at the conversion price of HK$0.0225 each (note 22(d)) at the rate of 100 CPS to one ordinary share of the Company.

25. SHARE-BASED PAYMENT TRANSACTIONS

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

(i) 2002 Share Option Scheme

The Company adopted a share option scheme on 16 May 2002 ("the 2002 Option Scheme"), to adopt the changes in the Chapter 17 of the Listing Rules, under which the Company may grant options to any executive or non-executive directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards. As at 31 December 2006, options have already been granted to employees, executive directors, a customer and consultants of the Group.

On 19 January 2006, the Company granted 200,000 options to a business partner of the Company at the exercise price of HK$3.965 each for a period of two years.

On 26 May 2006, the Company granted 100,000 options to a director at the exercise price of HK$3.255 each for a period of two years.

(ii) Options granted under general mandate

In August 2006, the 2,250,000 options granted to Mr. Lai On Shing, Mr. Au Chung Kong and Sinoland International Limited were lapsed.

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

Movements of share options of the Company during the years ended 31 December 2005 and 2006 are as follows:

	Number of Share Options ('000)									
	Outstanding as at 1.1.2005	Granted during 2005	Exercised during 2005	Lapsed during 2005	Consolidated during 2005	Outstanding as at 31.12.2005 and 1.1.2006	Granted during 2006	Exercised during 2006	Lapsed during 2006	Outstanding as at 31.12.2006
Category:										
2002 Share Option Scheme *(note (i))*										
Directors	244,000	200,000	(212,000)	–	(229,680)	2,320	100	(118)	(202)	2,100
Employees	47,700	10,250	(35,950)	(4,000)	(17,820)	180	–	(100)	–	80
Consultants	–	32,000	–	–	(31,680)	320	200	–	–	520
	291,700	242,250	(247,950)	(4,000)	(279,180)	2,820	300	(218)	(202)	2,700
Weighted average exercise price	0.0215	0.0591	0.0203	0.0479	–	5.45	3.728	2	3.46	5.668
Options granted under general mandate										
Strategic alliance *(note (ii))*	230,000	225,000	–	(230,000)	(222,750)	2,250	–	–	(2,250)	–
Lender	90,000	–	(90,000)	–	–	–	–	–	–	–
	320,000	225,000	(90,000)	(230,000)	(222,750)	2,250	–	–	(2,250)	–
Weighted average exercise price	0.0343	0.0652	0.0200	0.0468	–	6.52	–	–	6.52	–
Total number of share options	611,700	467,250	(337,950)	(234,000)	(501,930)	5,070	300	(218)	(2,452)	2,700

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

The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised by the employees was HK$2.90 (2005: HK$6.30). The option outstanding at the end of the year have a weighted average remaining contractual life of 7.18 years (2005: 1.78 years).

The fair value was determined by using Black-Scholes-Merton Option Pricing Model. The key valuation parameters as adopted in assessing the fair value of the share options included the exercise price, risk-free rate, nature of the share options, expected option period, volatility and expected dividend yield. The valuation parameters of the options issued in 2006 are as follows:

Weighted average fair value at grant date per share	HK$1.5
Weighted average exercise price	HK$3.7
Expected volatility	74% – 79%
Expected life	2 years
Risk-free rate	3.8% – 4.4%
Expected dividend yield	0%

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

The Group recognised total expense of HK$442,000 (2005: HK$8,042,000) related to equity-settled share-based payment transactions during the year.

26. ACQUISITION OF A SUBSIDIARY

In January 2005, the Group acquired the entire issued capital of Drive Limited from Frepar at a total consideration of HK$22,246,000 which were satisfied by the issue and allotment of 196,000,000 shares of HK$0.01 each of the Company at an issue price of HK$0.064 per share on 24 January 2005 and 294,000,000 shares of the Company at an issue price of HK$0.033 per share on 6 December 2005. In August 2005, the Group acquire 40% equity interest in Mansion China Co. Ltd. (BVI).

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

26. ACQUISITION OF A SUBSIDIARY *(continued)*

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

	2006 HK$'000	2005 HK$'000
NET ASSETS ACQUIRED		
Investment properties	20,714	–
Licensing rights	–	22,055
Trade receivables, other receivables and prepayments	41	36
Bank balances and cash	100	156
Trade payables, other payables and accruals	(576)	(1)
Tax payable	(58)	–
Deferred tax liabilities	(373)	–
Total consideration	19,848	22,246
Satisfied by:		
Cash	3,970	–
Other payables *(note 19)*	15,878	–
Issue of share capital *(note 22 (c) (iii))*	–	22,246
	19,848	22,246
Net cash (outflow) inflow arising on acquisition:		
Cash paid	(3,970)	–
Bank balances and cash acquired	100	156
Net (outflow) inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(3,870)	156

During the year ended 31 December 2005, Drive Limited contributed approximately HK$16,548,000 to the Group's turnover, and resulted a profit of HK$1,093,000 to the Group's operating results.

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

27. DISPOSAL, LIQUIDATION AND DEREGISTRATION OF SUBSIDIARIES

On 29 August 2005, the Group disposed of the entire share capital of two non-wholly owned subsidiaries, Alion Development Limited and Unique Profit Development Limited.

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

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

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

The net assets of the subsidiaries disposed of, liquidated and deregistered, where appropriate, are as follows:

	2006 HK$'000	2005 HK$'000
NET ASSETS DISPOSED OF, LIQUIDATED AND DEREGISTERED		
Property, plant and equipment	**846**	361
Investment properties	**–**	7,076
Prepaid lease payment	**–**	95
Trade receivables, other receivables and prepayments	**1,064**	–
Bank balances and cash	**617**	–
Trade payables, other payables and accruals	**(6,016)**	(497)
Amounts due to group companies	**–**	(21,716)
Net identifiable assets and liabilities	**(3,489)**	(14,681)
Waiver of net amounts due to subsidiaries upon disposal, liquidation and deregistration	**–**	21,716
Release of exchange fluctuation reserve	**140**	–
Gain (loss) on disposal of subsidiaries	**3,349**	(4,319)
Total consideration of disposal and net assets for distribution upon liquidation and deregistration	**–**	2,716
Satisfied by:		
Cash	**–**	2,716
Net cash (outflow) inflow arising on disposal, liquidation and deregistration:		
Cash consideration	**–**	2,716
Bank balances and cash disposed of and distributed upon liquidation and deregistration	**(617)**	–
	(617)	2,716

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

The subsidiaries disposed of during the year ended 31 December 2005 contributed HK$481,000 to the Group's turnover and resulted a loss of HK$1,150,000 to the Group's operating results.

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

28. MAJOR NON-CASH TRANSACTIONS

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

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

(c) During the year ended 31 December 2005, a total of 1,766,666,666 CPS were converted into ordinary shares at HK$0.0225 each and 1,766,666,666 ordinary shares of HK$0.01 each were issued before the Share Consolidation.

(d) During the year ended 31 December 2006, the Group leased kiosk machines from Quants under finance lease and recorded obligations under finance lease at HK$267,024,000 (2005: HK$103,397,000) on inception date. The Group leased out such machines to Frepar under finance lease and recorded finance lease receivables at HK$267,024,000 (2005: HK$103,397,000) on inception date.

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

29. RETIREMENT BENEFIT SCHEME

The Group contributes to defined contribution provident funds, including the scheme set up pursuant to the Hong Kong Mandatory Provident Fund Ordinance ("MPF Scheme"), which are available to all employees. In accordance with the terms of the provident funds, contributions to the schemes by the Group and the employees are calculated as a percentage of the employees' basic salaries. For the MPF Scheme, both the employees and the employer are required to contribute 5% of the employees' monthly salaries up to a maximum of HK$1,000 ("Mandatory Contribution"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement age of 65 years old, death or total incapacity. The unvested benefits of employees forfeited upon termination of employment can be utilised by the Group to reduce future levels of contributions. During the year, the aggregate amount of employer's contribution net of forfeited contribution made by the Group was approximately HK$340,000 (2005: HK$1,117,000).

29. RETIREMENT BENEFIT SCHEME *(continued)*

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.

30. OPERATING LEASE COMMITMENTS

(i) As at 31 December 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Equipment	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**3,695**	1,137	**188**	1,519
Later than one year and not later than five years	**2,844**	946	**342**	34
	6,539	2,083	**530**	1,553

(a) Land and buildings are negotiated for an average term of three years.

(b) Equipment as at 31 December 2005 included a lease 70 digital content download kiosk machines leased from Quants for a period of 6 months. As at 31 December 2006, no such lease arrangement existed.

(ii) As at 31 December 2006, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	Investment properties		Equipment	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**3,088**	2,040	**–**	1,505
Later than one year and not later than five years	**1,615**	1,058	**–**	–
	4,703	3,098	**–**	1,505

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

31. CREDIT FACILITIES, PLEDGE OF ASSETS AND GUARANTEES

(a) As at 31 December 2006, the Group had aggregate banking facilities of approximately HK$69,921,000 (2005: HK$57,390,000) from a bank for guarantees, overdrafts, and loans. Unutilised banking facilities as at the same date amounted to approximately HK$23,655,000 (2005: HK$14,659,000). The bank facilities were secured by:

(i) cross guarantees totalling HK$35,000,000 (2005: HK$35,000,000) given by the Company and certain of its subsidiaries in respect of a shared banking facility to be used by the Company and these subsidiaries.

(ii) investment properties of the Group with a total net book value of approximately HK$163,001,000 (2005: HK$140,500,000) as at 31 December 2006 (note 13).

(iii) personal guarantee of a director of the Company and a director of a subsidiary up to the extent of HK$390,000 (2005: HK$390,000).

(b) The Group's unsecured revolving term loan facility of HK$20,000,000 from Quants expired on 31 December 2006 (2005: HK$20,000,000). A new unsecured revolving term loan facility of HK$20,000,000 from Quants has been contracted on 12 April 2007 for a period of 18 months from 1 July 2007 to 31 December 2008.

32. LITIGATION AND CONTINGENT LIABILITIES

(a) Litigation

A statement of claim was lodged in July 2000 against the Company for a sum of approximately HK$18,979,000 and damages for breach of agreement allegedly made with a third party in respect of financial support for certain construction projects which the Company had allegedly agreed to undertake. The litigation was settled at HK$3,000,000 in May 2006 and the litigation was dismissed pursuant to the consent summons dated 1 June 2006. Accordingly, a provision for litigation case for the same amount was made in the current year.

(b) Contingent liabilities

Save as disclosed in note 31, as at 31 December 2006 the Group has contingent liabilities arising from outstanding litigation as follows:

A third party notice was served upon the Company by a bank in September 1998 to seek indemnity/contribution from the Company and was subsequently amended in October 1998. The Company is alleged to be in default of the co-operative agreement in respect of a corporate guarantee of HK$2,000,000. After obtaining the legal advice from a lawyer, the directors are of the opinion that the case has been dormant for a number of years and is remote, therefore no provision has been made in the financial statements in respect of the alleged claim.

33. CAPITAL COMMITMENT

The Group did not have any significant capital commitment as at 31 December 2005 and 2006.

34. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties, save as disclosed in notes 15, 19, 21, 26, 27 and 31 disclosed, are as follows:

(a) A subsidiary of the Company has received management service income of approximately HK$1,201,000 (2005: Nil) from Quants and its subsidiary for the provision of general administrative and corporate services.

(b) A subsidiary of the Company has received management service income of approximately HK$125,000 (2005: Nil) from a company controlled by a director of the Company for the provision of general administrative and corporate services. The director resigned from the position on 21 March 2006.

(c) A subsidiary of the Company has received telecommunication revenue of HK$2,055,000 (2005: HK$698,000) and entertainment media revenue of HK$2,007,000 (2005: Nil) from a subsidiary of Quants.

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

35. FINANCIAL RISK MANAGEMENT

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

Credit risk

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

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

35. FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

At 31 December 2006, the Group has a concentration of credit risk as 23% and 49% (2005: 33% and 70%) respectively of the total trade receivables, other receivables and prepayments were due from the Group's largest customer and the five largest customers respectively.

Liquidity risk

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

Fair value and cash flow interest rate risk

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

The Group's interest-rate risk arises from finance lease receivables, bank borrowings and obligations under finance leases. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Except for CPS and obligations under finance leases, all borrowings were at floating rates.

Foreign exchange risk

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

The Group's indebtedness denominated in JPY, HKD and USD represents 87.8%, 12.1% and 0.1% of the total indebtedness respectively. The exchange rates of USD and RMB against HKD were relatively stable during the year. The foreign exchange risk in relation to JPY indebtedness are substantially offset by that relating to JPY-denominated finance lease receivables. The Group does not consider it appropriate to substantially hedge currency risk through forward exchange contracts upon consideration of currency risks involved and costs of obtaining such cover. The Group continues to monitor the exposures to JPY and will take necessary procedures to reduce the fluctuation in exchange rates at reasonable costs.

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

35. FINANCIAL RISK MANAGEMENT *(continued)*

Fair values estimation

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

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

36. SIGNIFICANT POST BALANCE SHEET EVENTS

(a) On 13 February 2007, the Company entered into a subscription agreement with Tackana Agents Limited pursuant to which the subscriber subscribed a redeemable convertible bond of the Company in aggregate principal amount of HK$5.4 million. The maturity date of the convertible bond is 18 months from date of issue with a right to convert at maximum of 3,000,000 shares of the Company at conversion price of HK$1.8 per share. The related convertible bond was issued on 13 March 2007. The carrying amount of the convertible bond was split into the equity portion for the fair value of the conversion right of the convertible bond holder in the amount of approximately HK$2.8 million and the liability portion which is adjusted for the effect of imputed interest based on the prevailing market rate as at the date of grant of approximately HK$2.6 million. The liability portion is carried at amortised cost using the effective interest method.

(b) On 14 February 2007, the Company entered into a subscription agreement with Violet Profit Holdings Limited pursuant to which the subscriber subscribed a redeemable convertible bond of the Company in aggregate principal amount of HK$7.2 million. The maturity date of the convertible bond is 18 months from date of issue with a right to convert at maximum of 4,000,000 shares of the Company at conversion price of HK$1.8 per share. The related convertible bond was issued on 13 March 2007. The carrying amount of convertible bond was split into the equity portion for the fair value of the conversion right of the convertible bond holder in the amount of approximately HK$0.5 million and the liability portion which is adjusted for the effect of imputed interest based on the prevailing market rate as at the date of grant of approximately HK$6.7 million. The liability portion is carried at amortised cost using the effective interest method.

(c) On 16 February 2007, the Company entered into a subscription agreement with Ichiya Co., Ltd. pursuant to which the subscriber subscribed a redeemable convertible bond of the Company in aggregate principal amount of HK$20 million. The maturity date of the convertible bond is 18 months from date of issue with a right to convert at maximum of 10,000,000 shares of the Company at conversion price of HK$2.0 per share. The related convertible bond was issued on 13 March 2007. The carrying amount of convertible bond was split into the equity portion for the fair value of the conversion right of the convertible bond holder in the amount of approximately HK$1.5 million and the liability portion which is adjusted for the effect of imputed interest based on the prevailing market rate as at the date of grant of approximately HK$18.5 million. The liability portion is carried at amortised cost using the effective interest method.

36. SIGNIFICANT POST BALANCE SHEET EVENTS *(continued)*

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

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