Sun Innovation Holdings Limited

Incorporated in Bermuda with limited liability

Stock Code: 547

Annual Report

2009

CONTENTS

CORPORATE INFORMATION

DIRECTORS

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

* *Independent non-executive directors*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Chow Fung Ling

AUDITORS

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

SOLICITOR

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20th Floor
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Hong Kong

REGISTERED OFFICE

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2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 1717-19, 17th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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WEBSITE

www.suninnovation.com

STOCK CODE

547

BUSINESS REVIEW AND OUTLOOK

FINANCIAL REVIEW

For the year ended 31 December 2009, the turnover of the Group was approximately HK$17,776,000 (2008: HK$39,051,000), representing a decrease of 54% compared to that of last year. The decrease of turnover was due to the disposal of the leasing properties in Suzhou, the People's Republic of China (the "PRC"), the halt of Miss Macau and Miss International pageant events and the severe competition in entertainment media industry in the year 2009. Loss of the Group for the year was approximately HK$63,028,000 (2008: HK$107,209,000), representing a substantial decrease of 41% compared to that of last year. Moreover, the loss from operation of the Group, excluding net loss on disposal of subsidiaries, fair value losses on investment properties and derivative component of convertible bond, for the year ended 31 December 2009 was reduced to approximately HK$52,365,000 (2008: HK$84,846,000) by 38% decrease of last year which was due to the substantial decrease in the loss of the Leisure and Entertainment Events Segment and administrative expenses.

The Board of Directors does not recommend payment of a final dividend for the year ended 31 December 2009 (2008: HK$Nil).

Property Investment Segment

Though the Hong Kong properties generated stable income for the Property Investment Segment, the turnover of this Segment decreased to HK$5,968,000 (2008: HK$6,065,000) which was caused by disposal of the leasing properties (20 service apartments) in Suzhou, PRC in May 2009. However, it still represented 34% of the Group's overall turnover during the year under review. The profit of this Segment was approximately HK$4,226,000 (2008: HK$4,269,000).

The Group had disposed of the properties in Suzhou by selling the entire issued share capital in an indirect wholly-owned subsidiary, namely "Million Year Consultants Limited" in May 2009. Details of the disposal were announced in the Company's announcement dated 22 May 2009. After this disposal, the Group only had investment properties located at Citicorp Centre in Hong Kong. Majority of the shops and car parks at Citicorp Centre were leased out in 2009. The Group would constantly review the existing investment properties portfolio and keep on exploring potential profitable investments in Hong Kong, PRC and/or Asia Pacific region.

Entertainment Media Segment

In the past few years, the media and mobile technology developed expeditiously and became more advanced. These also stimulated the rapid development of entertainment and content services or solutions to the mobile and internet industries. In this fast-moving industry, the severe competition and increase of hardware and software enhancement or associated costs affected the business of the Entertainment Media Segment of the Company. The turnover of the Entertainment Media Segment was approximately HK$9,567,000 (2008: HK$16,715,000) and the loss of this Segment amounted to HK$3,213,000 (2008: HK$657,000).

This Segment engaged in mobile entertainment business and consisted of certain subsidiaries, including Cellcast (Asia) Limited and Enhanced Life Services Limited. Under the brands of "Yeah Mobile" and "Ping Pong Boy", this Segment continued its operation in the multi-media advertising, contents and services industries. The existing diversified services provided more customer-oriented components and features for different customers in Hong Kong, Macau and overseas. The clients and suppliers are famous telecommunication companies and music entertainment companies in Hong Kong and Macau.

FINANCIAL REVIEW *(continued)*

Leisure and Entertainment Events Segment

During the year of 2009, although this Segment did not hold any pageant event, it had organised an event in Hong Kong for a Hong Kong subsidiary of Zoomlion group from the PRC. The turnover of this Segment for the year ended 31 December 2009 decreased to HK$385,000 (2008: HK$11,887,000) while the loss of this Segment for the year ended 31 December 2009 also reduced to HK$3,534,000 (2008: HK$45,315,000), representing 92% decrease when compared to the year of 2008.

Further to the settlement among S.I. Macau Entertainment Company Limited ("SIME"), a wholly-owned subsidiary of the Company, ING Co., Ltd. and Asia and Pacific Media Limited in July 2009 regarding the reduced licence fee for the "Miss International Pageant 2008", the Group had paid a final payment of US$1,385,480 as full and final settlement. Details of aforesaid settlement issue were announced in the announcement of the Company dated 17 April 2009 and the interim report of the Company for the period ended 30 June 2009. This Segment would continue to implement stringent cost control with its streamlined structure as well as to explore more opportunities in entertainment and marketing events industries.

Media Shopping Segment

During the year under review, this Segment had scaled down the existing operation and became inactive in Guangzhou, the PRC. The turnover of this Segment for the year ended 31 December 2009 was only approximately HK$56,000 (2008: HK$2,413,000) while the loss of this Segment was approximately HK$2,379,000 (2008: HK$1,882,000). The decrease of the turnover was caused by continuous severe competition in media marketing and shopping industries, high airtime costs paid to the PRC media channels and unsatisfactory performance due to limited operating scale in Guangzhou.

The Group had streamlined the structure of this Segment and implemented stringent cost control over its minimum daily operation in Guangzhou. The Group would continue to explore other profitable opportunities in the PRC media shopping industry in other provinces.

Telecommunication Segment

The turnover and loss of this Segment for the year ended 31 December 2009 were approximately HK$1,800,000 (2008: HK$1,971,000) and approximately HK$24,000 (2008: a profit of HK$10,000) respectively. This Segment held a cable use right for a cable connected between Japan and Hawaii and could provide maintenance and support services to its bilateral correspondent or any customers in Japan.

CAPITAL

In March 2009, the Company had proposed and announced an open offer and a capital reorganisation, regarding a share consolidation, capital reduction and share subdivision, for which shareholders' approvals were not obtained in a special general meeting of the Company held on 18 May 2009. Details of the unsuccessful open offer and capital reorganisation were announced in the Company's announcements dated 24 March and 18 May 2009 respectively.

CAPITAL *(continued)*

In May 2009, the Company was notified that there was change in the substantial shareholder of the Company and the change was completed on 8 June 2009. After that, Wise Sun Holdings Limited ("Wise Sun") became a new substantial shareholder of the Company holding 560,395,180 shares of the Company, representing 38.12% of the issued share capital of the Company on 8 June 2009. After the change, the Company received a notification from Optima Capital Limited, who acted on behalf of Wise Sun, regarding the mandatory conditional general offers to the securities holders of the Company for all the issued shares and convertible securities in, and cancellation of all outstanding options of, the Company. The general offers were conditional upon valid acceptances of the shares tendered by the disinterested shareholders and received by Wise Sun which would result in Wise Sun holding more than 50% of the voting rights of the Company. The general offers had not become unconditional and had lapsed on 10 August 2009. Details of the general offers and their lapses were announced in the joint announcements dated 17 June and 10 August 2009 respectively and the composite offer and response document of the Company and Wise Sun dated 20 July 2009.

The warrants of the Company issued in a placement in August 2007 and in an open offer in November 2007 had lapsed in early February and end of May 2009 respectively. However, there was one warrant holder who exercised his right attaching to the warrant before the expiry date in May 2009 and therefore, 73,600 shares of the Company were issued and allotted in June 2009.

On 17 June 2009, the Company entered into a placing agreement with a placing agent regarding a "best-efforts" placing of convertible bonds in the principal amount of up to HK$200 million and it also entered into a subscription agreement with Wise Sun for subscription of convertible bonds in the principal amount of up to HK$120 million by Wise Sun (collectively known as "New CBs"). In addition, the Company also proposed a new capital reorganisation ("Capital Reorganisation") including, inter alia, reduction of nominal value of each share of the Company from HK$0.10 to HK$0.01 and transfer of the credit arising from the capital reduction to the contributed surplus account of the Company. The New CBs and Capital Reorganisation have been approved by the shareholders in the special general meeting held on 26 August 2009. Details of the New CBs, Capital Reorganisation and the approval by the independent shareholders of the Company were disclosed in the Company's aforesaid joint announcement dated 17 June 2009 and the Company's circular and announcement dated 20 July 2009 and 26 August 2009 respectively.

On 25 June 2009, the Company entered into a placing agreement with a placing agent for a "best-efforts" placing of 294,000,000 shares of the Company, representing approximately 20% of the issued share capital of the Company before dilution of this placement, under the general mandate granted to the directors of the Company at the exercise price of HK$0.1441 each. The placing was completed on 8 July 2009. Details of the placing were disclosed in a joint announcement of the Company and Wise Sun dated 25 June 2009 and also in the Company's announcement dated 8 July 2009 respectively.

In August 2009, a holder of a convertible bond of the Company in the principle amount of HK$7.2 million had exercised its rights and converted the whole amount of the aforesaid convertible bond in to 68,571,428 shares of the Company. Details of the conversion were announced in the next day disclosure return of the Company dated 26 August 2009.

CAPITAL *(continued)*

In September 2009, the Company had issued New CBs in the principle amount of HK$120 million to Wise Sun and HK$200 million to various subscribers respectively. Details of the completion of the New CBs were announced in the Company's announcements dated 4 and 18 September 2009 respectively.

Subsequently, Wise Sun and certain holders of the New CBs exercised their rights attaching to the New CBs and converted the New CBs in the principle amount of HK$85 million and HK$192 million in October and November 2009 respectively. The Company had issued 2,125,000,000 shares and 4,800,000,000 shares in October and November 2009 respectively. Details of the conversions were announced in the next day disclosure returns of the Company dated 2 October and 23 November 2009 respectively. As a result, after the aforesaid conversion of New CBs, the shares held by Wise Sun in the Company increased to 2,610,395,180 shares, representing 29.81% of the issued share capital of the Company as at 31 December 2009 and also as at the date of this report.

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

The Group has diverse sources of financing, including internal funds generated from the Group's business operations, general banking facilities on secured basis, non-bank loans on unsecured basis and non-regular contributions (such as placement of shares or issuance of convertible bonds or financing by shareholder's loans) from the shareholders and other potential investors. The Group continues to adopt conservative funding and treasury policies.

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

In June 2009, the Group refinanced all non-bank loans, which the principal and related accrued interests amounted to approximately HK$43.6 million, by drawing down a facility provided by the Wise Sun, a substantial shareholder of the Company ("Facility"). The maximum amount of the Facility is HK$60 million and it was expired in late September 2009. The Group has repaid this loan (approximately HK$44.1 million) by partial proceeds from the converted bonds (HK$120 million) subscribed by Wise Sun as mentioned in the paragraph headed "CAPITAL" above.

In September 2009, a subsidiary in the United States had an early repayment of the United States dollars loan (outstanding principal with accrued interests amounted to approximately HK$134,000). After the repayment, the Group did not have any outstanding loans in the United States.

In October 2009, an indirectly-owned subsidiary of the Group has obtained a banking facility amounted to HK$6 million from a bank in Hong Kong which consisted of a 5-year instalment loan. This facility was granted under the Special Loan Guarantee Scheme of the Government of the Hong Kong Special Administrative Region ("the Government") pursuant to which, the Government had provided 80% guarantee to the bank. A corporate guarantee was provided to the bank by an intermediate subsidiary of the Company which held the aforesaid indirectly-owned subsidiary.

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

Besides the banking facility mentioned above, the Group also has other banking facilities in forms of mortgage loan, revolving term loan and instalment loan in Hong Kong. In November 2009, the Group refinanced the revolving term loan (outstanding principal amounted to HK$17.5 million) by an instalment loan with a repayment period of 14 years. These banking facilities have been secured by the Group's Hong Kong investment properties with aggregate net book value of approximately HK$116 million. In addition, the Group and certain subsidiaries provided a bank of cross guarantees totalling HK$55 million in respect of these banking facilities to be used by the Group and these subsidiaries.

As at 31 December 2009, the Group had banking facilities totalling approximately HK$58 million and unsecured revolving term loan facility of HK$20 million from Quants Inc., a former substantial shareholder of the Company. The Group had short-term bank loans of approximately HK$3 million and long-term bank loans of approximately HK$55 million, cash and bank balances of approximately HK$296 million. All bank loans were at floating interest rates. All the borrowings were denominated in Hong Kong dollars ("HKD"). The maturity profile of the Group's bank borrowings as at 31 December 2009 was spread over a period of 14 years, with approximately 6% repayable within one year, 27% repayable between two to five years and 67% repayable over five years.

The Group's current assets as at 31 December 2009 were approximately HK$302 million while the current liabilities were approximately HK$9 million. As at 31 December 2009, the Group's current ratio was 34 (at 31 December 2008: 0.35).

The Group's gearing ratio, representing the Group's bank loan, non-bank loans (if any) and convertible bonds (excluding derivative component of convertible bond) divided by the equity attributable to owners of the Company, as at 31 December 2009 is 30% (at 31 December 2008: 198%).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's turnover, expenses, assets and liabilities are denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB"), Macau Pataca ("MOP"), United States dollars ("USD") and Japanese Yen ("JPY"). The exchange rates of RMB, MOP and USD against HKD remained relatively stable during the financial year under review. Certain expenses of the Group incurred in JPY which has fluctuated in a relatively greater extent in the Review Period. However, the amount of JPY expenses incurred are immaterial, the appreciation of the JPY against the HKD did not have material adverse effect on the operation of the Group for the financial year under review.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES *(continued)*

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

CONTINGENT LIABILITIES

As at 31 December 2009, the Company has only one outstanding litigation case. This litigation case was commenced by a bank against a bankrupted third party and joint venture, which had served a third party notice to the Company, for outstanding balance of overdraft facilities. After obtaining the advice from a lawyer, the directors are of the opinion that the case has been dormant for a number of years and is remote, and therefore no provision has been made in the financial statements in respect of the alleged claims.

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

EMPLOYEE OF THE GROUP

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

As at 31 December 2009, the total headcount of the Group was 47.

PROSPECT

The year of 2009 comprised changes, transformation and challenges to the Group. After the change of the substantial shareholder in June 2009 and the change of board of directors of the Company in the second half of the year, the new board of directors will continue to rationalize and streamline the existing structures and operations of the Group, including any proposal in scale down unprofitable and/or dormant business segments when necessary. The Group is actively exploring various business opportunities and may diversify the businesses and investments which are beneficial to the shareholders and investors of the Company.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles ("Principles") and code provisions ("Code Provisions") set out in the Code of Corporate Governance Practices ("CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Company has complied with most of the Code Provisions during the financial year 2009 save for the following:

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

2. There was no separation of the role of the Chairman and the Chief Executive Officer ("CEO") during the financial year up to 17 September 2009. Mr. Michele Matsuda had been appointed as the Chairman and CEO of the Company since March 2003 and he resigned on 18 September 2009. Mr. Zhou Jian was re-designated as the Chairman of the Company on 18 September 2009 and the Company does not have any officer with the title of CEO. The roles and functions of CEO were performed by all the executive directors collectively. The Board will periodically review such arrangement and may adopt appropriate measures in future during the further development of the Group's businesses; and

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

To the specific enquiry by the Company, all directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2009.

INTERNAL CONTROL

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

THE BOARD

Responsibilities

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

The Board acknowledges its responsibility for preparing the financial statements of the Company and the Group which give a true and fair view of the Group's affairs in accordance with statutory requirements and applicable accounting standards. The statement by the auditors of the Company about their reporting responsibilities for the financial statements of the Company is set out on pages 25 to 26 in the Independent Auditors' Report.

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

Composition

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

As at 31 December 2009, the Board comprised six members, including three Executive Directors and three Independent Non-executive Directors. Biographical details of the Directors are set out on pages 17 to 18.

During the year ended 31 December 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

THE BOARD *(continued)*

Board Meetings

Six Board meetings were held during the year ended 31 December 2009 and details of the Directors' attendance are set out below:

Directors	Attendance/Number of Meetings
Executive Directors	
Mr. Zhou Jian *(Chairman)* (appointed on 21 July 2009)	1/6
Mr. Fan Lei (appointed on 21 July 2009)	1/6
Mr. Lo Ming Chi, Charles* (appointed on 21 July 2009)	1/6
Mr. Leung To Kwong, Valiant (resigned on 4 September 2009)	5/6
Mr. Michele Matsuda (resigned on 18 September 2009)	4/6
Independent Non-Executive Directors	
Ms. Lau Cheong (appointed on 21 July 2009)	1/6
Mr. Duan Xiongfei (appointed on 21 July 2009)	1/6
Mr. Tam Tak Kei, Raymond (appointed on 10 September 2009)	1/6
Mr. Zhou Ji, Jason (resigned on 1 October 2009)	4/6
Professor Chen Tien-yiu, Theodore (resigned on 1 October 2009)	5/6
Mr. Wong Tak Shing (resigned on 1 October 2009)	5/6
Non-Executive Director	
Mr. Shinji Yamamoto (resigned on 31 August 2009)	3/6

* On 26 February 2010, the Company has received a resignation letter from Mr. Lo Ming Chi, Charles who resigned as the executive director of the Company and its subsidiaries and member of the nomination committee and remuneration committee effective on 1 March 2010.

DELEGATION BY THE BOARD

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

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

EXECUTIVE COMMITTEE

The Executive Committee assists the Board in discharging its duties and dealing with routine business of the Company and enhance the effectiveness and efficiency of day-to-day operation of the Company. The members are mainly the Executive Directors of the Company. There is no minimum meeting requirement and this Committee shall meet as and when necessary for proper discharge of its duties.

AUDIT COMMITTEE

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

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

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

Audit Committee Members	Attendance/Number of Meetings
Mr. Duan Xiongfei *(Chairman)* (appointed as a member on 4 September 2009 and as Chairman on 16 December 2009)	0/2
Ms. Lau Cheong (appointed on 4 September 2009)	0/2
Mr. Tam Tak Kei, Raymond (appointed on 10 September 2009)	0/2
Mr. Zhou Ji, Jason (resigned on 1 October 2009)	2/2
Professor Chen Tien-yiu, Theodore (resigned on 1 October 2009)	2/2
Mr. Wong Tak Shing (resigned on 1 October 2009)	2/2

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

NOMINATION COMMITTEE

During the year under review, the Nomination Committee consisted of Mr. Fan Lei and Mr. Lo Ming Chi, Charles, the Executive Directors, and Ms. Lau Cheong, Mr. Duan Xiongfei and Mr. Tam Tak Kei, Raymond, the Independent Non-executive Directors. Ms. Lau Cheong is the chairlady of the Nomination Committee. On 26 February 2010, the Company has received a resignation letter from Mr. Lo who resigned as a member of the Nomination Committee effective from 1 March 2010.

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

NOMINATION COMMITTEE *(continued)*

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

Nomination Committee Members	Attendance/Number of Meeting
Ms. Lau Cheong *(Chairlady)* (appointed as a member on 4 September 2009 and as Chairlady on 16 December 2009)	1/1
Mr. Fan Lei (appointed on 4 September 2009)	1/1
Mr. Lo Ming Chi, Charles* (appointed on 4 September 2009)	1/1
Mr. Duan Xiongfei (appointed on 4 September 2009)	1/1
Mr. Tam Tak Kei, Raymond (appointed on 10 September 2009)	1/1
Mr. Michele Matsuda (resigned on 18 September 2009)	0/1
Mr. Zhou Ji, Jason (resigned on 1 October 2009)	0/1
Professor Chen Tien-yiu, Theodore (resigned on 1 October 2009)	0/1
Mr. Wong Tak Shing (resigned on 1 October 2009)	0/1

* Mr. Lo has resigned as the member of Nomination Committee effective from 1 March 2010.

The Board and the Nomination Committee take into factors of the caliber, relevant experience and integrity as the criteria selecting candidates for directorship and the Nomination Committee will assist the Group to review the structure, size and composition of the Board of Directors of the Company and to assess the independence of all Independent Non-executive Directors.

During the year under review, the Nomination Committee nominated three Executive Directors and three Independent Non-executive Directors and reviewed the structure, size and composition of the Board of Directors of the Company.

REMUNERATION COMMITTEE

During the year under review, the Remuneration Committee consisted of Mr. Fan Lei and Mr. Lo Ming Chi, Charles, the Executive Directors, Ms. Lau Cheong, Mr. Duan Xiongfei and Mr. Tam Tak Kei, Raymond, the Independent Non-executive Directors. Mr. Fan Lei is the chairman of this Committee. On 26 February 2010, the Company has received a resignation letter from Mr. Lo who resigned as a member of the Remuneration Committee effective from 1 March 2010.

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

REMUNERATION COMMITTEE *(continued)*

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

Remuneration Committee Members	Attendance/Number of Meeting
Mr. Fan Lei *(Chairman)* (appointed as a member on 4 September 2009 and as Chairman on 16 December 2009)	0/1
Mr. Lo Ming Chi, Charles* (appointed on 4 September 2009)	0/1
Ms. Lau Cheong (appointed on 4 September 2009)	0/1
Mr. Duan Xiongfei (appointed on 4 September 2009)	0/1
Mr. Tam Tak Kei, Raymond (appointed on 10 September 2009)	0/1
Mr. Leung To Kwong, Valiant (resigned on 4 September 2009)	0/1
Mr. Michele Matsuda (resigned on 18 September 2009)	0/1
Mr. Zhou Ji, Jason (resigned on 1 October 2009)	1/1
Professor Chen Tien-yiu, Theodore (resigned on 1 October 2009)	1/1
Mr. Wong Tak Shing (resigned on 1 October 2009)	1/1

* Mr. Lo has resigned as the member of Remuneration Committee effective from 1 March 2010.

During the year under review, the Remuneration Committee had reviewed and approved the remuneration package of the Chairman and CEO and two newly appointed Executive Directors and resignation related issue of an Executive Director.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Group for audit and non-audit services for the year ended 31 December 2009 amounted to HK$700,000 and HK$130,000 respectively.

The directors present their report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 27. The Board of Directors does not recommend payment of a final dividend (2008: HK$Nil).

RESERVES

Details of the movements in reserves of the Group and the Company are set out in the consolidated statement of changes in equity and Note 22 to the financial statements respectively.

In view of the losses maintained by the Company, distributable reserves of the Company at 31 December 2009 amounted to HK$49,510,000 solely comprised of contributed surplus.

CHARITABLE DONATIONS

There was no donation made by the Group during the year (2008: HK$1,020,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 12 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in Note 13 to the financial statements.

Investment properties were valued at their open market value at 31 December 2009 by DTZ Debenham Tie Leung Limited, an independent professional valuer. The valuation did not give rise to any fair value gain/loss (2008: fair value losses of HK$24,986,000 debited to the consolidated income statement).

SHARE CAPITAL

Details of movements in the Company's issued share capital and options during the year and outstanding as at 31 December 2009 are set out in Notes 21 and 23 to the financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Zhou Jian	(appointed on 21 July 2009)
Fan Lei	(appointed on 21 July 2009)
Lo Ming Chi, Charles*	(appointed on 21 July 2009)
Shoichi Takaya	(resigned on 6 January 2009)
Leung To Kwong, Valiant	(resigned on 4 September 2009)
Michele Matsuda	(resigned on 18 September 2009)

Independent Non-executive Directors:

Lau Cheong	(appointed on 21 July 2009)
Duan Xiongfei	(appointed on 21 July 2009)
Tam Tak Kei, Raymond	(appointed on 10 September 2009)
Zhou Ji, Jason	(resigned on 1 October 2009)
Chen Tien-yiu, Theodore	(resigned on 1 October 2009)
Wong Tak Shing	(resigned on 1 October 2009)

Non-executive Director:

Shinji Yamamoto	(resigned on 31 August 2009)

* On 26 February 2010, the Company has received a resignation letter from Mr. Lo Ming Chi, Charles who resigned as the executive director effective from 1 March 2010.

In accordance with clauses 86(2) and 87(1) of the Company's Bye-laws, Messrs. Fan Lei, Duan Xiongfei, Tam Tak Kei, Raymond and Ms. Lau Cheong will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

The Independent Non-executive Directors have no specific term of office but their service contracts have a termination notice requirement of one month.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are as shown below:

Executive Directors

Zhou Jian, aged 41, was appointed as Executive Director on 21 July 2009 and was re-designated as the Chairman on 18 September 2009. Mr. Zhou graduated from E.M. Lyon in France with a Master's Degree in Business Administration. He has over 10 years' experience in operation, administrative affairs and strategic planning. Mr. Zhou is currently an executive director of Jiayou Home Shopping Co., Ltd. which has been granted an approval from the State Administration of Radio Film and Television in the PRC for carrying out trading business on television and multimedia in the PRC. He was an executive director of Hi Sun Technology (China) Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 818).

Fan Lei, aged 36, was appointed as Executive Director on 21 July 2009. Mr. Fan graduated from Wuhan University with a Bachelor's Degree in Economics with major in investment economics. He has more than 10 years of experience in banking industry including asset management in the PRC. He is currently the Chief Investment Director of Beijing Changhe Century Asset Management Limited.

Lo Ming Chi, Charles, JP, aged 60, was appointed as Executive Director on 21 July 2009. Mr. Lo is a Certified Practising Accountant in Australia and is a fellow member of the Financial Services Institute of Australasia. Mr. Lo is currently an executive director and the Chief Executive Officer of Sewco International Holdings Limited and the independent non-executive director of Hembly International Holdings Limited, Tak Sing Alliance Holdings Limited and Cash Financial Services Group Limited. He was the Deputy Chairman and the Chief Executive Officer of Poly Development Holdings Limited and an executive director of New Century Group Hong Kong Limited. He was also an independent non-executive director of China Sonangol Resources Enterprise Limited (formerly known as Artfield Group Limited). All the aforesaid companies are listed on The Stock Exchange of Hong Kong Limited. He has over 29 years of experience in financial and investment services in Australia, Hong Kong and other Asian countries.

Independent Non-executive Directors

Lau Cheong, aged 26, was appointed as Independent Non-executive Director on 21 July 2009. Ms. Lau holds a Master's Degree in Public Policy and Management and a Bachelor's Degree in Business Administration from University of Southern California. She obtained three broker qualifications in the United States of America and previously worked in Morgan Stanley & Co. Incorporated. She is currently the President of Ponticello International Group Incorporated.

Duan Xiongfei, aged 41, was appointed as Independent Non-executive Director on 21 July 2009. Mr. Duan holds a Master's Degree in Economics from Renmin University of China and a Master's Degree in Business Administration from University of Chicago. He is an associated member of National Futures Association in the United States of America and has over 15 years of experience in securities trading and investment industry. Mr. Duan is currently the Managing Partner of Shanghai Ruiyue Capital Management, Inc. and the Partner of Guarda Capital Management, Inc. in Canada which qualifies as a registered commodity trading advisor in the United States of America.

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

Independent Non-executive Directors *(continued)*

Tam Tak Kei, Raymond, aged 46, was appointed as Independent Non-executive Director on 10 September 2009. Mr. Tam holds a Bachelor of Arts Degree in Accounting with Computing from University of Kent at Canterbury, England and is a Chartered Accountant in Hong Kong and England and Wales. He is also an associate member of the Hong Kong Institute of Certified Public Accountants. Currently, Mr. Tam is the financial controller of an international law firm and has over 24 years of professional accounting experience.

SHARE OPTION SCHEME

The Company adopted its share option scheme on 16 May 2002 ("the Option Scheme"), under which the Company may grant options to any Executive or Non-executive Directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards.

(1) **Purpose**

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

(2) **Participants**

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

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

The total number of shares which may be issued upon exercise of options to be granted under the Option Scheme shall not exceed 10% of the shares in issue as at the date of adoption of the Option Scheme on 16 May 2002 (i.e. 418,243,897 shares). Such limit was refreshed by the shareholders in the general meeting held on 28 June 2004, 25 May 2005 and 26 May 2006 respectively (i.e. 488,123,897 shares, 659,675,563 shares and 9,007,305 shares respectively). After the adjustments due to the share consolidation in 2005, open offer and share subdivision in 2007, the number of shares available for issue upon exercise of options to be granted under the Option Scheme is 116,663,050 shares, representing approximately 1.33% of the issued share capital of the Company as at the date of this annual report.

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

SHARE OPTION SCHEME *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SHARE OPTION SCHEME *(continued)*

Details of the share options outstanding as at 31 December 2009 which have been granted under the Option Scheme are as follows:

					No. of Share Options ('000)					
	Subscription price/share (before adjustment) (HK$)	Subscription price/share adjusted by Open Offer and Share Subdivision* (HK$)	Exercisable period	Option grant date	No. of options granted	No. of options held at 1 January 2009 (adjusted by Open Offer and Share Subdivision)	No. of options granted during the year	No. of options exercised during the year	No. of options lapsed/ surrendered during the year	No. of options outstanding at 31 December 2009
Directors										
Michele Matsuda **	5.780	0.549	25/05/2005 – 24/05/2015	25/05/2005	2,000	21,075	–	–	(21,075)	–
Leung To Kwong, Valiant ***	1.900	0.180	10/01/2007 – 09/01/2010	10/01/2007	300	3,161	–	–	(3,161)	–
Continuous Contract employees	1.900	0.180	10/01/2007 – 09/01/2009	10/01/2007	340	843	–	–	(843)	–

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

** Mr. Michele Matsuda surrendered 21,075,270 share options on 4 September 2009 and resigned as Chairman, CEO and Executive Managing Director of the Company with effect from 18 September 2009.

*** Mr. Leung To Kwong, Valiant surrendered 3,161,290 share options on 4 September 2009 and resigned as Executive Director of the Company with effect from 4 September 2009.

Particulars of the Company's Share Option Scheme are also set out in Note 23 to the financial statements. There was no share option of the Company which has been exercised during the year 2009.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 December 2009, the interests and short positions of the directors and chief executive of the Company and their associates in the shares and underlying shares of the Company as recorded in the register to be kept under Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(1) Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of shares	Percentage of the issued ordinary share capital of the Company
Zhou Jian	Held by controlled corporation *(Note)*	2,610,395,180	29.81%

(2) Convertible bonds

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

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

Save as disclosed above, as at 31 December 2009, no interests and short position in the shares or underlying shares were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or any of their respective associates which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

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

CONNECTED TRANSACTION

Significant related party transactions entered into by the Group during the year ended 31 December 2009, which do not constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, are disclosed in Notes 19, 23, 28 and 31 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of director and chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

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

Name of shareholder	Capacity	Number of issued ordinary shares	Percentage of the issued ordinary share capital of the Company
Wise Sun Holdings Limited	Beneficial owner *(Note)*	2,610,395,180	29.81%
Mass Channel Investment Limited	Beneficial owner	1,750,000,000	19.98%
Fortune Source International Limited	Beneficial owner	1,500,000,000	17.13%

(b) Convertible bonds

Name of shareholder	Capacity	Outstanding principal amount of convertible bond	Number of underlying ordinary shares
Wise Sun Holdings Limited	Beneficial owner *(Note)*	HK$38,000,000	950,000,000

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	9%
– five largest suppliers combined	33%
Sales	
– the largest customer	22%
– five largest customers combined	65%

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

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

A banking facility ("Facility") with the principal amount of HK$6 million provided by a bank in Hong Kong for an indirectly-owned subsidiary of the Company (the "Subsidiary") has imposed certain specific performance obligations on the Company, pursuant to which, the Company shall not (i) hold less than 51% of the Subsidiary's equity interests effectively and (ii) hold less than 100% of equity interest in an intermediate wholly-owned subsidiary of the Company which held the Subsidiary. The bank shall have the right to demand for repayment of all outstanding amounts due by the Subsidiary under the Facility, unless otherwise approved by the bank, if there is any breach of the aforesaid conditions.

The outstanding loan principal of this Facility as at 31 December 2009 amounted approximately HK$5.83 million and the last monthly instalment repayment shall be in the year 2014.

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

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

CORPORATE GOVERNANCE

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SIGNIFICANT NON-ADJUSTING POST BALANCE SHEET EVENT

There is no significant non-adjusting post balance sheet event as at the date of this report.

AUDITORS

During the year under review, Shu Lun Pan Horwath Hong Kong CPA Limited, the previous retired auditors of the Company, had changed its name to Shu Lun Pan Hong Kong CPA Limited ("SLPHK") and thereafter it had merged their business with BDO McCabe Lo Limited on 1 May 2009. On the same date, BDO McCabe Lo Limited had changed their name to BDO Limited. On 27 May 2009, BDO Limited was appointed as the auditors of the Company to replace the retired auditors, SLPHK.

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

On behalf of the Board

Zhou Jian
Chairman

Hong Kong, 26 February 2010

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of Sun Innovation Holdings Limited (the "Company") and its subsidiaries (thereafter referred to as the "Group") set out on pages 27 to 100, which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate number P05308
25th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

Hong Kong, 26 February 2010

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	5	**17,776**	39,051
Cost of sales and services		**(6,854)**	(53,918)
Gross profit/(loss)		**10,922**	(14,867)
Other income and net gains or losses	6	**1,229**	11,794
Selling and distribution expenses		**(245)**	(8,109)
Administrative expenses and other net operating expenses		**(52,240)**	(67,247)
Finance costs	8	**(12,300)**	(4,742)
Loss on disposal of subsidiaries, net	24	**(8,634)**	–
Fair value losses on investment properties	13	**–**	(24,986)
(Allowance)/write-back of allowance for doubtful debts	16(iii)	**(1,532)**	391
Loss before taxation		**(62,800)**	(107,766)
Taxation	10(a)	**(228)**	557
Loss for the year	7	**(63,028)**	(107,209)
Attributable to:			
Owners of the Company		**(62,263)**	(107,117)
Minority interests		**(765)**	(92)
		(63,028)	(107,209)
Loss per share:	11		
– Basic and diluted		**HK$(0.023)**	HK$(0.073)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Loss for the year	(63,028)	(107,209)
Other comprehensive income		
Currency translation differences	615	1,370
Other comprehensive income for the year, net of tax	615	1,370
Total comprehensive loss for the year	(62,413)	(105,839)
Attributable to:		
Owners of the Company	(61,648)	(105,747)
Minority interests	(765)	(92)
	(62,413)	(105,839)

The accompanying notes form part of the financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	1,993	3,609
Investment properties	*13*	116,000	140,820
Intangible assets	*14*	–	392
		117,993	144,821
Current assets			
Trading merchandise goods		–	69
Trade receivables, other receivables and prepayments	*16*	6,065	19,182
Bank balances and cash	*17*	296,418	9,000
		302,483	28,251
Current liabilities			
Trade payables, other payables and accruals	*18*	5,916	30,763
Bank and other borrowings	*19*	3,380	48,763
Tax payable		108	521
		9,404	80,047
Net current assets/(liabilities)		293,079	(51,796)
Total assets less current liabilities		411,072	93,025
Non-current liabilities			
Bank and other borrowings	*19*	54,781	34,980
Convertible bonds	*20*	35,596	5,664
Deferred tax liabilities	*10(b)*	4,367	5,369
		94,744	46,013
Net assets		316,328	47,012

CONSOLIDATED BALANCE SHEET

at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
EQUITY			
Share capital	*21*	87,577	147,004
Reserves		227,565	(101,943)
Equity attributable to owners of the Company		315,142	45,061
Minority interests		1,186	1,951
Total equity		316,328	47,012

The financial statements were approved and authorised for issue by the Board of Directors on 26 February 2010 and are signed on its behalf by:

Zhou Jian	**Fan Lei**
DIRECTOR	*DIRECTOR*

The accompanying notes form part of the financial statements.

BALANCE SHEET

at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	24	3
Interests in subsidiaries	*15*	203,646	111,106
		203,670	111,109
Current assets			
Other receivables and prepayments	*16*	1,475	5,645
Bank balances and cash		188,394	6,037
		189,869	11,682
Current liabilities			
Other payables and accruals	*18*	692	1,639
Bank and other borrowings	*19*	1,822	48,255
		2,514	49,894
Net current assets/(liabilities)		187,355	(38,212)
Total assets less current liabilities		391,025	72,897
Non-current liabilities			
Bank and other borrowings	*19*	42,475	26,890
Convertible bonds	*20*	35,596	5,664
		78,071	32,554
Net assets		312,954	40,343
EQUITY			
Share capital	*21*	87,577	147,004
Reserves	*22*	225,377	(106,661)
Total equity		312,954	40,343

The financial statements were approved and authorised for issue by the Board of Directors on 26 February 2010 and are signed on its behalf by:

Zhou Jian
DIRECTOR

Fan Lei
DIRECTOR

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

		Attributable to owners of the Company										
		Share capital	Share premium	Warrants reserve	Convertible bonds – equity component	Land and buildings revaluation reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Total equity
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Notes		*(Note 22(i))*	*(Note 22(ii))*	*(Note 22(iii))*	*(Note 22(iv))*	*(Note 22(v))*	*(Note 22(vii))*				
At 1 January 2008		147,004	50,008	2,191	2,627	7,355	7,933	(982)	(65,328)	150,808	2,043	152,851
Total comprehensive loss for the year		–	–	–	–	–	–	1,370	(107,117)	(105,747)	(92)	(105,839)
Redemption of convertible bond	*20*	–	–	–	(2,268)	–	–	–	2,268	–	–	–
Renewal of convertible bond	*20*	–	–	–	(359)	–	–	–	359	–	–	–
Release upon lapse and surrender of share options	*23(i)*	–	–	–	–	–	(4,446)	–	4,446	–	–	–
At 31 December 2008		147,004	50,008	2,191	–	7,355	3,487	388	(165,372)	45,061	1,951	47,012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

		Attributable to owners of the Company											
		Share capital	Share premium	Warrants reserve	Convertible bonds – equity component	Land and buildings revaluation reserve	Share option reserve	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Total equity
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Notes		*(Note 22(i))*	*(Note 22(ii))*	*(Note 22(iii))*	*(Note 22(iv))*	*(Note 22(v))*	*(Note 22(vi))*	*(Note 22(vii))*				
At 1 January 2009		147,004	50,008	2,191	–	7,355	3,487	–	388	(165,372)	45,061	1,951	47,012
Total comprehensive loss for the year		–	–	–	–	–	–	–	615	(62,263)	(61,648)	(765)	(62,413)
Issue of convertible bonds	20	–	–	–	63,509	–	–	–	–	–	63,509	–	63,509
Direct costs incurred for issue of convertible bonds	20	–	–	–	(911)	–	–	–	–	–	(911)	–	(911)
Issue of shares on the exercise of warrants	21(b)	7	16	(8)	–	–	–	–	–	–	15	–	15
Release upon lapse of warrants	21(b)	–	–	(2,183)	–	–	–	–	–	2,183	–	–	–
Issue of shares on placement	21(c)	29,400	11,877	–	–	–	–	–	–	–	41,277	–	41,277
Issue of shares upon conversion of convertible bonds	21(d)	6,857	2,245	–	–	–	–	–	–	–	9,102	–	9,102
Share premium balance transferred to contributed surplus pursuant to the capital reorganisation	21(a)(iv)	–	(64,146)	–	–	–	–	64,146	–	–	–	–	–
Capital reduction pursuant to the capital reorganisation	21(a)(ii)&(v)	(164,941)	–	–	–	–	–	164,941	–	–	–	–	–
Contributed surplus set off against accumulated losses pursuant to the capital reorganisation	21(a)(vi)	–	–	–	–	–	–	(179,577)	–	179,577	–	–	–
Issue of shares upon conversion of convertible bonds	21(d)	69,250	206,630	–	(54,076)	–	–	–	–	–	221,804	–	221,804
Release upon lapse and surrender of share options	23(i)	–	–	–	–	–	(3,487)	–	–	3,487	–	–	–
Release of exchange fluctuation reserve upon disposal of a subsidiary	24	–	–	–	–	–	–	–	(3,067)	–	(3,067)	–	(3,067)
At 31 December 2009		87,577	206,630	–	8,522	7,355	–	49,510	(2,064)	(42,388)	315,142	1,186	316,328

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Operating activities			
Loss before taxation		(62,800)	(107,766)
Adjustments for:			
Allowance/(write-back of allowance) for doubtful debts		1,532	(391)
Provision for obsolete trading merchandise goods	7	–	243
Write-back of trade payables	6	–	(8,232)
Amortisation of intangible assets	7	392	394
Depreciation of property, plant and equipment	7	1,428	1,898
Loss on disposal of property, plant and equipment	7	913	6
Loss on disposal of subsidiaries, net		8,634	–
Net realised gains on trading securities	6	(2,477)	–
Net exchange losses/(gains)		478	(232)
Fair value losses on investment properties		–	24,986
Fair value loss/(gain) on derivative component of convertible bond	6	2,029	(2,623)
Interest income	6	(22)	(38)
Finance costs	8	12,300	4,742
Operating cash flows before working capital changes		(37,593)	(87,013)
Decrease/(increase) in trading merchandise goods		69	(275)
Decrease/(increase) in trade receivables, other receivables and prepayments		11,285	(4,579)
(Decrease)/increase in trade payables, other payables and accruals		(24,562)	21,264
Cash used in operations		(50,801)	(70,603)
Interest paid		(6,595)	(1,569)
Overseas tax refunded		47	151
Net cash used in operating activities		(57,349)	(72,021)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Investing activities			
Interest received		22	38
Proceeds from disposal of property, plant and equipment		100	–
Net proceeds from disposal of subsidiaries	*24*	11,751	–
Proceeds from disposal of trading securities		75,997	–
Purchases of trading securities		(73,520)	–
Purchases of property, plant and equipment		(997)	(1,222)
Net cash generated from/(used in) investing activities		13,353	(1,184)
Financing activities			
New bank loans		23,500	85,000
New inception of other loans		41,471	21,000
New inception of loan from a shareholder		43,616	–
Proceeds from exercise of warrants		15	–
Repayment of bank loans		(28,837)	(30,888)
Repayment of other loans		(61,422)	(1,000)
Repayment of convertible bonds		–	(5,805)
Net proceeds from placement of new shares		41,277	–
Net proceeds from issue of convertible bonds		271,792	–
Net cash generated from financing activities		331,412	68,307
Net increase/(decrease) in cash and cash equivalents		287,416	(4,898)
Effect of foreign exchange rate changes		2	30
Cash and cash equivalents at the beginning of the year		9,000	13,868
Cash and cash equivalents at the end of the year		296,418	9,000
Represented by:			
Bank balances and cash		296,418	9,000

The accompanying notes form part of the financial statements.

1. ORGANISATION AND OPERATIONS

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has its principal place of business at Rooms 1717-1719, 17th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of property investment, entertainment media, media shopping, telecommunication and leisure and entertainment events, details of which are set out in Note 15.

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

(a) The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 related to the amendment paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation 9 & HKAS 39 (Amendments)	Embedded Derivatives

The adoption of the above new/revised HKFRSs had no material effect on the financial statements of the Group for both the current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised) and other changes as set out below. All relevant changes in accounting polices and disclosures have been made in accordance with the provisions of the respective standards. The balance sheets at the beginning of the financial year ended 31 December 2008 have not been presented as there were no changes to the originally published statements.

HKFRS 8 supersedes HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to chief operating decision-makers as required by HKFRS 8, there are no changes to the operating segments and the results of operating segments on the adoption of HKFRS 8.

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

(a) *(continued)*

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

(b) Potential impact arising on HKFRSs not yet effective

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

		Effective date
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs	(i)
HKFRSs (Amendments)	Improvements to HKFRSs 2009	(ii)
Amendments to HKAS 39	Eligible Hedged Items	(i)
Amendments to HKFRS 2	Share-based Payment-Group Cash-settled Share-based Payment Transactions	(iii)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	(i)
HKFRS 3 (Revised)	Business Combinations	(i)
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners	(i)
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	(iv)
HKAS 24 (Revised)	Related Party Disclosures	(v)
HKFRS 9	Financial Instruments	(vi)

Effective date:

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

(ii) Annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

(iii) Annual periods beginning on or after 1 January 2010

(iv) Annual periods beginning on or after 1 July 2010

(v) Annual periods beginning on or after 1 January 2011

(vi) Annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

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

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

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

Subsidiaries

Subsidiaries are entities in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

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

Depreciation is charged so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Furniture, fixtures and equipment	20% to 33%
Motor vehicles	20%

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

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

Intangible assets

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

Cable use rights	14 years

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Trading merchandise goods

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

i) Loans and receivables

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

ii) Financial assets at fair value through profit or loss

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

iii) Impairment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

iii) Impairment (continued)

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

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

iv) Effective interest method

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

v) Derecognition of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity issued by the Group

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

i) Equity instruments

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

ii) Convertible bonds

Convertible bonds that contain liability and equity components

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

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

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

Convertible bonds that contain liability component and conversion option derivative

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

ii) Convertible bonds (continued)

Convertible bonds that contain liability component and conversion option derivative *(continued)*

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

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

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

iii) Other financial liabilities

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

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

iv) Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

v) Derecognition of financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Leases

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

The Group as lessor

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

The Group as lessee

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

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Translation of foreign currencies

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

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

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

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 recognised in other comprehensive income and accumulated in exchange fluctuation reserve. Such translation differences are recognised in profit or loss in the period when the foreign operations are disposed of.

3. 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

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

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

Related parties

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

(ii) Revenue from rendering of services is recognised when the services are rendered and the amount can be measured reliably.

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

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

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

Borrowing costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements

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

Impairment of assets

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

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

Estimates and judgements *(continued)*

Deferred tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2009 was HK$2,228,000 (2008: HK$1,860,000). The amount of unrecognised tax losses at 31 December 2009 was HK$149,602,000 (2008: HK$135,382,000). Further details are set out in Note 10.

Estimated impairment of trade and other receivables

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

5. TURNOVER AND SEGMENT INFORMATION

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

	2009 HK$'000	2008 HK$'000
Sale of goods	56	2,413
Rendering of services	11,752	30,573
Rental income	5,968	6,065
	17,776	39,051

(a) **Reportable segments**

(i) property investment;

(ii) entertainment media;

(iii) media shopping;

(iv) telecommunication and

(v) leisure and entertainment events.

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

(a) Reportable segments *(continued)*

	Property investment		Entertainment media		Media shopping		Telecom-munication		Leisure and entertainment events		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Revenue from external customers	5,968	6,065	9,567	16,715	56	2,413	1,800	1,971	385	11,887	17,776	39,051
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Reportable segment revenue	5,968	6,065	9,567	16,715	56	2,413	1,800	1,971	385	11,887	17,776	39,051
Reportable segment profit/(loss)	4,226	4,269	(3,213)	(657)	(2,379)	(1,882)	(24)	10	(3,534)	(45,315)	(4,924)	(43,575)
Depreciation and amortisation	8	11	374	351	228	373	393	396	65	41	1,068	1,172
Unallocated depreciation											752	1,120
Total depreciation and amortisation											1,820	2,292
Fair value losses on investment properties	-	24,986	-	-	-	-	-	-	-	-	-	24,986
Taxation	119	110	-	-	-	-	-	-	-	-	119	110
Unallocated											(347)	447
Total taxation											(228)	557
Allowance/(write-back of allowance) for doubtful debts	794	2	-	(419)	247	26	491	-	-	-	1,532	(391)
Reportable segment assets	117,116	141,480	9,823	8,235	346	1,528	5	811	512	1,245	127,802	153,299
Additions to non-current assets	-	-	189	618	-	211	-	-	-	-	189	829
Unallocated											808	393
Total additions to non-current assets											997	1,222
Reportable segment liabilities	9,142	9,813	8,041	2,776	585	1,162	152	-	598	22,413	18,518	36,164

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

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

	2009 HK$'000	2008 HK$'000
Revenue		
Reportable segment revenue and consolidated revenue	17,776	39,051

	2009 HK$'000	2008 HK$'000
Loss before taxation		
Reportable segment loss	(4,924)	(43,575)
Other income and net gains or losses	1,229	11,794
Unallocated corporate expenses	(36,639)	(46,648)
(Allowance)/write-back of allowance for doubtful debts	(1,532)	391
Fair value losses on investment properties	–	(24,986)
Loss on disposal of subsidiaries, net	(8,634)	–
Finance costs	(12,300)	(4,742)
Consolidated loss before taxation	(62,800)	(107,766)

	2009 HK$'000	2008 HK$'000
Assets		
Reportable segment assets	127,802	153,299
Unallocated corporate assets	292,674	19,773
Consolidated total assets	420,476	173,072

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

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

	2009 HK$'000	2008 HK$'000
Liabilities		
Reportable segment liabilities	**18,518**	36,164
Current tax liabilities	**108**	521
Deferred tax liabilities	**4,367**	5,369
Unallocated corporate liabilities	**81,155**	84,006
Consolidated total liabilities	**104,148**	126,060

(c) Geographic information

During the year, the Group's operations and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets") are located in Hong Kong, Macau, other regions in the People's Republic of China ("Mainland China") and the United States of America ("USA").

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

	Revenue from external customers		Specified non-current assets	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Hong Kong	**15,324**	21,446	**117,699**	118,032
Mainland China	**652**	3,747	**–**	25,582
USA	**1,800**	1,971	**76**	924
Macau	**–**	11,887	**218**	283
	17,776	39,051	**117,993**	144,821

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

(d) Major customers

The Group's customer base is diversified and there were four customers with whom transactions have exceeded 10% of the Group's revenues. Revenues from a customer in the property investment segment amounted to approximately HK$2,170,000 (2008: HK$2,145,000); revenues from a customer in the telecommunication segment amounted to approximately HK$1,800,000 (2008: HK$1,971,000) and revenues from two customers in the entertainment media segment amounted to approximately HK$3,888,000 (2008: HK$4,879,000) and HK$1,987,000 (2008: HK$4,714,000), respectively.

6. OTHER INCOME AND NET GAINS OR LOSSES

	2009 HK$'000	2008 HK$'000
Interest income	22	38
Management service income	382	790
Write-back of trade payables#	–	8,232
Net realised gains on trading securities	2,477	–
Fair value (loss)/gain on derivative component of convertible bond *(Note 20)*	(2,029)	2,623
Others	377	111
	1,229	11,794

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

7. LOSS FOR THE YEAR

	2009 HK$'000	2008 HK$'000
This is arrived at after charging:		
Cost of sales and services *(note)*	**6,854**	53,918
Loss on disposal of property, plant and equipment	**913**	6
Exchange difference, net	**350**	232
Auditors' remuneration	**700**	800
Amortisation of intangible assets *(note) (Note 14)*	**392**	394
Depreciation of property, plant and equipment *(Note 12)*	**1,428**	1,898
Operating lease rentals in respect of rented premises	**4,109**	4,780
Provision for obsolete trading merchandise goods *(note)*	**–**	243
Staff costs:		
– Directors' remuneration *(Note 9)*	**3,304**	4,497
– Other staff costs:		
Salaries, wages and other benefits	**18,468**	27,139
Retirement benefit scheme contributions	**488**	589
Total staff costs	**22,260**	32,225

Note: Cost of sales and services include HK$392,000 (2008: HK$394,000) and HK$Nil (2008: HK$243,000) relating to amortisation expenses of intangible assets and provision for obsolete trading merchandise goods respectively, which amounts are also included in the respective total amounts disclosed separately above. In the prior year, the cost of services also included an annual fee of US$2,150,000 (equivalent to approximately HK$16,693,000) for the right to host, produce and commercially exploit the Miss International Pageant ("MI Pageant") for a term of 1 year ended 31 December 2008, and at the discretion of the Group to be renewed for up to four additional consecutive years until (and including) 31 December 2012. During the year, the Group determined not to renew the right for hosting MI Pageant event for the current year.

The consolidated loss attributable to owners of the Company includes a loss of HK$26,218,000 (2008: a loss of HK$14,347,000) which has been dealt with in the financial statements of the Company.

8. FINANCE COSTS

	Note	2009 HK$'000	2008 HK$'000
Imputed interest on convertible bonds	20	6,254	2,879
Interests on:			
Borrowings wholly repayable within five years		5,142	1,064
Borrowings not wholly repayable within five years		904	799
		12,300	4,742

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The directors' remuneration is analysed as follows:

	2009 HK$'000	2008 HK$'000
Fees:		
Independent non-executive directors	526	540
Other emoluments paid to executive directors:		
Salaries and other benefits, net of waived benefits of HK$Nil (2008: HK$5,020,000)	2,740	3,833
Retirement benefit scheme contributions	38	124
	2,778	3,957
	3,304	4,497

No directors waived any remuneration in respect of the year ended 31 December 2009.

During prior year, a director waived his entitlement to benefits to the extent of HK$5,020,000 in light of that prevailing economic environment.

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

Directors' remuneration *(continued)*

	2009 HK$'000	2008 HK$'000
Zhou Jian (Appointed on 21 July 2009)		
– Salaries and other benefits	–	–
– Retirement benefit scheme contributions	–	–
	–	–
Fan Lei (Appointed on 21 July 2009)		
– Salaries and other benefits	210	–
– Retirement benefit scheme contributions	5	–
	215	–
Lo Ming Chi, Charles (Appointed on 21 July 2009)		
– Salaries and other benefits	643	–
– Retirement benefit scheme contributions	6	–
	649	–

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

Directors' remuneration *(continued)*

	2009 HK$'000	2008 HK$'000
Michele Matsuda (Resigned on 18 September 2009)		
– Salaries and other benefits	656	948
– Retirement benefit scheme contributions	16	104
	672	1,052
Leung To Kwong, Valiant (Resigned on 4 September 2009)		
– Salaries and other benefits	1,200	1,443
– Retirement benefit scheme contributions	10	12
	1,210	1,455
Shoichi Takaya (Appointed on 28 May 2008 and resigned on 6 January 2009)		
– Salaries and other benefits	31	1,442
– Retirement benefit scheme contributions	1	8
	32	1,450
Lau Cheong (Appointed on 21 July 2009)		
– Fee	45	–
Duan Xiongfei (Appointed on 21 July 2009)		
– Fee	45	–
Tam Tak Kei, Raymond (Appointed on 10 September 2009)		
– Fee	31	–
Zhou Ji, Jason (Resigned on 1 October 2009)		
– Fee	135	180
Chen Tien-yiu, Theodore (Resigned on 1 October 2009)		
– Fee	135	180
Wong Tak Shing (Resigned on 1 October 2009)		
– Fee	135	180

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

Directors' remuneration *(continued)*

Mr. Shinji Yamamoto, a non-executive director of the Company, was appointed on 16 February 2007 and resigned on 31 August 2009. According to his service agreement with the Company, he did not receive any director fee for the financial years ended 31 December 2008 and 2009.

Five highest paid employees

The five highest paid individuals of the Group included two (2008: three) executive directors of the Company, details of whose emoluments are set out above. The remuneration of the remaining three (2008: two) highest paid employees, other than directors of the Company, is as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	3,312	2,652
Retirement benefit scheme contributions	84	76
	3,396	2,728

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

	2009	2008
Nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	2	2

10. TAXATION

	2009 HK$'000	2008 HK$'000
(a) Taxation in the consolidated income statement represents:		
Current taxation – Hong Kong profits tax for the year	**108**	–
Current taxation – overseas		
– tax for the year	**120**	182
– overprovision in respect of prior years	**–**	(196)
Deferred taxation		
– attributable to the origination and reversal of temporary differences *(note(b))*	**–**	(543)
	228	(557)

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits of the year. No provision for Hong Kong profits tax had been made for the prior year as the Group has no assessable profits arising in Hong Kong in the year ended 31 December 2008. Taxation for overseas subsidiaries has been calculated on the estimated assessable profits for the years ended 31 December 2008 and 2009 at the appropriate current rates of taxation ruling in the countries in which the Company's subsidiaries operate.

10. TAXATION *(continued)*

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

	2009 HK$'000	2008 HK$'000
Loss before taxation	**(62,800)**	(107,766)
Taxation calculated at Hong Kong profits tax rate of 16.5% (2008: 16.5%)	**(10,362)**	(17,781)
Tax effect of expenses not deductible for tax purposes	**4,071**	2,739
Tax effect of income not taxable for tax purposes	**(43)**	(3,418)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(631)**	196
Overprovision in respect of prior years	**–**	(196)
Tax effect on utilisation of previously unrecognised tax losses and other deductible temporary differences	**(94)**	(116)
Tax effect of unused tax losses and temporary differences	**7,287**	18,445
Others	**–**	(426)
Taxation for the year	**228**	(557)

10. TAXATION *(continued)*

(b) Deferred taxation

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

Group

	Accelerated tax depreciation HK$'000	Fair value-changes on investment properties HK$'000	Tax losses HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 January 2008	(2,883)	(8,135)	5,547	(385)	(5,856)
(Charge)/credit to consolidated income statement for the year *(note(a))*	(306)	4,151	(3,687)	385	543
Exchange fluctuation	–	(56)	–	–	(56)
At 31 December 2008	(3,189)	(4,040)	1,860	–	(5,369)
(Charge)/credit to consolidated statement of comprehensive income for the year *(note(a))*	(368)	–	368	–	–
Disposal and deregistration of subsidiaries *(Note 24)*	–	1,010	–	–	1,010
Exchange fluctuation	–	(8)	–	–	(8)
At 31 December 2009	(3,557)	(3,038)	2,228	–	(4,367)

Company

	Convertible bonds HK$'000
At 1 January 2008	(385)
Credit to income statement for the year	385
At 31 December 2008 and 2009	–

10. TAXATION *(continued)*

(b) Deferred taxation *(continued)*

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax liabilities	**(6,595)**	(7,229)	**–**	–
Deferred tax assets	**2,228**	1,860	**–**	–
	(4,367)	(5,369)	**–**	–

At the balance sheet date, the Group had unused tax losses of HK$163,106,000 (2008: HK$146,657,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$13,504,000 (2008: HK$11,275,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$149,602,000 (2008: HK$135,382,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$14,196,000 (2008: HK$9,924,000) that will expire in twenty years from the respective dates of incurrence and tax losses of HK$5,090,000 (2008: HK$4,050,000) that will expire in five years from the respective dates of incurrence. Other tax losses may be carried forward indefinitely.

At the balance sheet date, the Group had deductible temporary differences of HK$4,477,000 (2008: HK$1,665,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

11. LOSS PER SHARE

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

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

	Year ended 31 December	
	2009	2008
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(62,263)**	(107,117)

	Number of shares	
	2009	2008
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,651,374,839**	1,470,040,740

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

12. PROPERTY, PLANT AND EQUIPMENT

	Notes	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 2008		19,452	202	19,654	40
Additions		1,222	–	1,222	–
Disposals		(456)	–	(456)	–
Exchange fluctuation		25	10	35	–
As at 31 December 2008		20,243	212	20,455	40
Additions		997	–	997	25
Disposals		(4,553)	(213)	(4,766)	(40)
Disposals and deregistration of subsidiaries	24	(300)	–	(300)	–
Exchange fluctuation		11	1	12	–
As at 31 December 2009		16,398	–	16,398	25
ACCUMULATED DEPRECIATION					
As at 1 January 2008		15,340	62	15,402	31
Depreciation charge for the year	7	1,856	42	1,898	6
Disposals		(450)	–	(450)	–
Exchange fluctuation		(8)	4	(4)	–
As at 31 December 2008		16,738	108	16,846	37
Depreciation charge for the year	7	1,400	28	1,428	3
Disposals		(3,614)	(139)	(3,753)	(39)
Disposals and deregistration of subsidiaries	24	(125)	–	(125)	–
Exchange fluctuation		6	3	9	–
As at 31 December 2009		14,405	–	14,405	1
CARRYING AMOUNT					
As at 31 December 2009		1,993	–	1,993	24
As at 31 December 2008		3,505	104	3,609	3

13. INVESTMENT PROPERTIES

Group

	HK$'000
FAIR VALUE	
As at 1 January 2008	164,440
Exchange fluctuation	1,366
Fair value losses	(24,986)
As at 31 December 2008	140,820
Disposal of a subsidiary *(Note 24)*	(24,990)
Exchange fluctuation	170
As at 31 December 2009	116,000

Investment properties were valued at 31 December 2009 by DTZ Debenham Tie Leung Limited, an independent firm of professionally qualified valuers, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued, on an open market value basis. This valuation did not give rise to any change in fair value for the year (2008: fair value losses of HK$24,986,000). In the prior year, the deferred tax credit of HK$4,151,000 (Note 10(b)) arising from the valuation was charged to the consolidated income statement.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to HK$5,968,000 (2008: HK$6,065,000). Direct operating expenses arising on the investment properties in the year amounted to HK$1,271,000 (2008: HK$1,483,000).

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

The Group's investment properties have been pledged to secure banking facilities granted to the Group (Note 28 (a)(ii)).

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

	2009 **HK$'000**	2008 HK$'000
Mainland China		
– medium term leases	–	24,820
Hong Kong		
– medium term leases	**116,000**	116,000
	116,000	140,820

14. INTANGIBLE ASSETS

Group

	Note	**Cable use rights** HK$'000
COST		
As at 1 January 2008		3,649
Exchange fluctuation		(24)
As at 31 December 2008		3,625
Exchange fluctuation		2
As at 31 December 2009		3,627
ACCUMULATED AMORTISATION		
As at 1 January 2008		2,859
Charge for the year	7	394
Exchange fluctuation		(20)
As at 31 December 2008		3,233
Charge for the year	7	392
Exchange fluctuation		2
As at 31 December 2009		3,627
CARRYING AMOUNT		
As at 31 December 2009		–
As at 31 December 2008		392

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

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

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

15. INTERESTS IN SUBSIDIARIES

Company

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	**11,736**	11,737
Loans to subsidiaries	**146,185**	47,000
Amounts due from subsidiaries	**825,490**	795,007
	983,411	853,744
Less: allowance for loans to/amounts due from subsidiaries	**(779,765)**	(742,638)
	203,646	111,106

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

The amounts due from subsidiaries are interest-free. The loans to subsidiaries are interest-bearing at interest rate ranging from prime rate quoted by a bank in Hong Kong plus 1.5% to 5% per annum (2008: prime rate plus 1.5% per annum).

Accumulated allowances for loans to subsidiaries and amounts due from subsidiaries of HK$779,765,000 (2008: HK$742,638,000) were recognised as at 31 December 2009 because their recoverable amounts were estimated to be less than their respective carrying amounts.

15. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2009 are as follows:

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group		Nature of business
			Direct	Indirect	
Cellcast (Asia) Limited	British Virgin Islands/ Hong Kong	US$45,525	–	82.38%	Provision of content and information services
Circle Telecom USA, LLC	USA	US$100	–	100%	Provision of telecommunication services
Cornwick Investments Limited	Hong Kong	HK$2	–	100%	Holding investment properties in Hong Kong
Drive HK Limited	Hong Kong	HK$1	–	100%	Dormant
Drive Media (BVI) Limited	British Virgin Islands	US$1	–	100%	Investment holding
Drive USA Inc.	USA	US$10	–	100%	Investment holding and provision of management services
Enhanced Life Services Limited#	Hong Kong	HK$1	–	100%	Provision of content and information services and event management business
Foreign Equity Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Investment holding

15. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2009 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
Katharsis Trading Limited	Mainland China	RMB1,010,000	–	100%	Provision of T.V. shopping business
Media Elite Limited	British Virgin Islands	US$16,000	–	100%	Dormant
Media Elite HK Limited	Hong Kong	HK$100	–	100%	Dormant
New Multimedia Limited	British Virgin Islands	US$1	–	100%	Dormant
S.I. Corporate Services Limited	Hong Kong	HK$100	–	100%	Provision of corporate services
S.I. Macau Entertainment Company Limited	British Virgin Islands/ Macau	US$1	100%	–	Leisure and entertainment events business
Sun Marketing (Macau) Limited (formerly known as "S.I. Promotions Limited")	Macau	MOP$25,000	–	100%	Dormant
S.I. Entertainment Investment (801) Limited	British Virgin Islands	US$1	100%	–	Dormant
S.I. TV Shopping (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding

15. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2009 are as follows *(continued)*:

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

15. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 December 2009 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	
Sun Innovation Properties Holdings Limited	British Virgin Islands/ Hong Kong	US$2	100%	–	Investment holding
Sun Innovation Resources Limited	Hong Kong	HK$2	–	100%	Provision of management services
Sun Innovation Telecommunication Group Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Investment holding
Wide Profit Enterprises Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
廣州市泓亮商務有限公司	Mainland China	RMB100,000	–	100%	Provision of customer services

Notes:

\# The subsidiaries were newly incorporated during the year.

All the above are limited liability companies.

Certain subsidiaries of the Group were disposed of or deregistered during the year, details of which are set out in Note 24.

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

16. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables, net of allowance	**2,336**	5,979	**–**	–
Other receivables and prepayments	**3,729**	13,203	**1,475**	5,645
	6,065	19,182	**1,475**	5,645

(i) The directors consider that the carrying amounts of trade receivables, other receivables and prepayments approximate their fair values as at 31 December 2008 and 2009.

No interest is charged on trade and other receivables.

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

	2009	2008
	HK$'000	HK$'000
Current	**733**	1,948
31 to 60 days	**463**	1,195
61 to 90 days	**347**	853
Over 90 days	**793**	1,983
	2,336	5,979

At 31 December 2009, the Group's trade receivables of HK$2,034,000 (2008: HK$512,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that full amount of the impaired receivables is expected to be irrecoverable. Consequently, a specific allowance for doubtful debts of HK$2,034,000 (2008: HK$512,000) was made. The Group does not hold any collateral over these balances.

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

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**512**	9,480
Allowance/(write-back of allowance) for doubtful debts	**1,532**	(391)
Write-off of irrecoverable trade receivables	**–**	(8,624)
Exchange fluctuation	**(10)**	47
At 31 December	**2,034**	512

17. BANK BALANCES AND CASH

As at 31 December 2009, included in the bank balances and cash of the Group was an amount of HK$21,000 (2008: HK$82,000) which is denominated in Renminbi ("RMB"). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**980**	20,695	**–**	–
Other payables and accruals	**4,936**	10,068	**692**	1,639
	5,916	30,763	**692**	1,639

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

The directors consider that the carrying amounts of trade payables, other payables and accruals approximate their fair values as at 31 December 2008 and 2009.

18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS *(continued)*

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

	2009 HK$'000	2008 HK$'000
Current	**142**	359
31 to 60 days	**204**	19,047
61 to 90 days	**74**	493
Over 90 days	**560**	796
	980	20,695

19. BANK AND OTHER BORROWINGS

The borrowings are repayable as follows:

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Bank loans – secured:				
On demand or within one year	**3,380**	28,468	**1,822**	27,960
After one year but within two years	**3,726**	1,215	**2,085**	700
In the second to fifth years inclusive	**12,055**	4,705	**6,820**	3,100
Over five years	**38,950**	29,060	**33,570**	23,090
	58,111	63,448	**44,297**	54,850
Other loans – unsecured:				
On demand or within one year	**–**	20,295	**–**	20,295
After one year but within two years	**50**	–	**–**	–
	58,161	83,743	**44,297**	75,145
Less: Amounts due within one year shown under current liabilities	**(3,380)**	(48,763)	**(1,822)**	(48,255)
Amount due for settlement after one year shown under non-current liabilities	**54,781**	34,980	**42,475**	26,890

19. BANK AND OTHER BORROWINGS *(continued)*

At 31 December 2009, the Group's bank loans consisted of:

(i) Bank loans which are secured by investment properties of the Group in Hong Kong (Note 13) and cross guarantees given by certain subsidiaries of the Company.

(ii) A bank loan granted under the Special Loan Guarantee Scheme (the "SME loan") of the Hong Kong Special Administrative Region Government (the "Government") to the extent of HK$6 million. It represented a 5-year instalment loan which is 80% guaranteed by the Government and a corporate guarantee was provided to the bank by a subsidiary of the Company.

At 31 December 2008, a bank loan of HK$134,000 denominated in United States dollars was secured by the personal guarantees of a director of the Company who resigned on 18 September 2009 and an ex-director of a subsidiary, further details of which are disclosed in Note 28(a)(iii). The loan has been fully repaid during the current year. Other bank loans of the Group and the Company as at 31 December 2008 were denominated in Hong Kong dollars.

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

The bank loans bear floating interest rates at effective rates ranging from 2.05% to 11.25% (2008: 2.85% to 11.25%) per annum and have maturity date falling within 2010 to 2023.

The directors consider that the carrying amounts of the Group's and the Company's bank and other borrowings approximate their fair values as at 31 December 2008 and 2009.

As at 31 December 2009, other loans are unsecured, interest-bearing at 10.5% per annum (2008: 25% per annum) and repayable within eighteen months (2008: three to nine months) from the respective drawdown dates of the loan agreements.

20. CONVERTIBLE BONDS

(a) On 13 February 2007, the Company entered into a subscription agreement with Tackana Agents Limited ("Tackana") pursuant to which Tackana subscribed a 5% redeemable convertible bond of the Company in aggregate principal amount of HK$5.4 million. The maturity date of the convertible bond was 18 months from date of issue with a right to convert at a maximum of 3,000,000 shares of the Company at conversion price of HK$1.8 per share. The related convertible bond was issued on 13 March 2007. After the open offer in November 2007 of the Company, the adjusted conversion price per share and adjusted number of shares to be converted were HK$1.708 and 3,161,290 respectively. The adjusted conversion price per share and the adjusted number of shares to be converted were further adjusted after the share subdivision in December 2007 to HK$0.171 and 31,612,900 respectively.

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

20. CONVERTIBLE BONDS *(continued)*

(b) On 14 February 2007, the Company entered into a subscription agreement with Violet Profit Holdings Limited ("Violet Profit") pursuant to which Violet Profit subscribed a 5% redeemable convertible bond (the "Original Bond") of the Company in an aggregate principal amount of HK$7.2 million. The maturity date of the convertible bond was 18 months from date of issue with a right to convert at a maximum of 4,000,000 shares of the Company at conversion price of HK$1.8 per share. The Original Bond was issued on 13 March 2007. After the open offer of the Company in 2007, the adjusted conversion price per share and adjusted number of shares to be converted were HK$1.708 and 4,215,054 respectively. The adjusted conversion price per share and the adjusted number of shares to be converted were further adjusted after the share subdivision in December 2007 to HK$0.171 and 42,150,540 respectively.

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

The exercise of conversion option embedded in the Old Bond would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The embedded derivative of conversion option was therefore accounted for as a financial liability. The principal of HK$7.2 million from the issue of the Old Bond was split into liability and derivative components. On issue of the Old Bond, the fair value of the derivative component was determined using an option pricing model and the amount was carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds was allocated to the liability component and was carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component was measured at fair value on the issue date and any subsequent changes in fair value of the derivative component as at the balance sheet date were recognised in the consolidated income statement.

On 24 August 2009, the Old Bond in principal amount of HK$7.2 million and carrying value of HK$9.1 million was fully converted into 68,571,428 shares of HK$0.10 each of the Company (Note 21(d)).

20. CONVERTIBLE BONDS *(continued)*

(c) On 17 June 2009, the Company entered into a placing agreement with a placing agent regarding a "best-efforts" placing of convertible bonds in the principal amount of HK$200.0 million at a conversion price of HK$0.04 per share (the "Placing Bonds"). On the same date, the Company also entered into a subscription agreement with Wise Sun Holdings Limited ("Wise Sun") for subscription of convertible bonds in the principal amount of HK$120.0 million at a conversion price of HK$0.04 per share (the "Subscription Bonds", the Placing Bonds and the Subscription Bond are collectively referred to as the "New Bonds"). Further details of the New Bonds were set out in the Company's announcement dated 17 June 2009.

In September 2009, the Company issued the Subscription Bonds in the aggregate principal amount of HK$120.0 million to Wise Sun and the Placing Bonds in the aggregate principal amount of HK$200.0 million to various subscribers. Further details of the completion of the subscription and placing of the New Bonds were set out in the Company's announcements dated 4 and 18 September 2009.

The maturity date of the New Bonds is the second anniversary from the date of issue of an aggregate principal amount of HK$30.0 million of the Subscription Bonds that are committed by Wise Sun to subscribe under the subscription agreement (i.e. maturity on 4 September 2011). The New Bonds bore coupon interest on the outstanding principal amount thereof from the date of issue at a coupon interest rate of 0.5% per annum.

Since the exercise of conversion option embedded in the New Bonds would result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company, the embedded conversion option is therefore accounted for as an equity instrument. The aggregate principal amount of HK$320.0 million from the issue of the New Bonds has been split into liability and equity components. On the issue of the New Bonds, the fair value of the liability component and the residual value of equity component were determined as HK$256.5 million and HK$63.5 million respectively, based on the valuation by BMI Appraisal Limited, an independent firm of professionally qualified valuers. The liability component is carried as a non-current liability on the amortised cost basis until extinguished on conversion. The carrying amount of the conversion option credited to equity is not remeasured in subsequent years.

During the year, the New Bonds in the principal amounts of HK$85.0 million and HK$192.0 million were converted into shares of the Company in October and November 2009 respectively. The conversions gave rise to the issue of 6,925,000,000 shares (Note 21(d)) of the Company and reduction in carrying value of liability component and equity component by HK$221.8 million and HK$54.1 million respectively. As at 31 December 2009, the remaining principal amount of the New Bonds amounted to HK$43.0 million with carrying value of HK$35.6 million as liability.

20. CONVERTIBLE BONDS *(continued)*

The movements of the liability component, equity component and derivative component of the convertible bonds during the years ended 31 December 2008 and 2009 are as follows:

	Liability component of convertible bonds HK$'000	Equity component of convertible bonds HK$'000	Derivative component of convertible bond HK$'000	Total HK$'000
At 1 January 2008	11,213	2,627	–	13,840
Renewal of convertible bond	–	(359)	–	(359)
Redemption of convertible bonds and related interest	(5,805)	(2,268)	–	(8,073)
Derivative component upon the issue of the Old Bond	(3,003)	–	3,003	–
Fair value gain *(Note 6)*	–	–	(2,623)	(2,623)
Effective interest expense recognised *(Note 8)*	2,879	–	–	2,879
At 31 December 2008	5,284	–	380	5,664
Issue of the New Bonds	256,491	63,509	–	320,000
Direct expenses incurred for the issue of the New Bonds	(3,681)	(911)	–	(4,592)
Issue of shares upon conversion of the Old Bond (b) *(Note 21(d))*	(6,693)	–	(2,409)	(9,102)
Issue of shares upon conversion of the New Bonds (c) *(Note 21(d))*	(221,804)	(54,076)	–	(275,880)
Fair value loss *(Note 6)*	–	–	2,029	2,029
Effective interest expense recognised *(Note 8)*	6,254	–	–	6,254
Interest paid	(255)	–	–	(255)
At 31 December 2009	**35,596**	**8,522**	**–**	**44,118**

20. CONVERTIBLE BONDS *(continued)*

Effective interests on the convertible bonds for the years ended 31 December 2008 and 2009 are calculated using the effective interest method by applying the average effective interest rate of 50.41% and 11.80% per annum respectively.

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

Note: For the period from 1 January 2009 to the date of the full conversion of the Old Bond, the fair value of the derivative component of the Old Bond increased and resulted in a fair value loss of HK$2,029,000 (2008: a fair value gain of HK$2,623,000) (Note 6).

21. SHARE CAPITAL

	Number of ordinary shares 2009	2008	Amount 2009 HK$'000	2008 HK$'000
Authorised ordinary shares:				
As at 1 January 2008 and 2009 of HK$0.10 each	7,300,000,000	7,300,000,000	730,000	730,000
Subdivision and increase of authorised ordinary shares *(note (a)(iii) & (vii))*	67,700,000,000	–	20,000	–
As at 31 December 2008 of HK$0.10 each and 31 December 2009 of HK$0.01 each	75,000,000,000	7,300,000,000	750,000	730,000
Issued and fully paid ordinary shares:				
As at 1 January of HK$0.10 each	1,470,040,740	1,470,040,740	147,004	147,004
Issue of shares on exercise of warrants *(note (b))*	73,600	–	7	–
Issue of shares on placement *(note (c))*	294,000,000	–	29,400	–
Issue of shares upon conversion of convertible bonds *(note (d))*	68,571,428	–	6,857	–
Reduction of share capital *(note (a)(ii) & (v))*	–	–	(164,941)	–
Issue of shares upon conversion of convertible bonds *(note (d))*	6,925,000,000	–	69,250	–
As at 31 December 2008 of HK$0.10 each and 31 December 2009 of HK$0.01 each	8,757,685,768	1,470,040,740	87,577	147,004

As at 31 December 2008, the authorised convertible preference share ("CPS") capital was HK$20,000,000 divided into 2,000,000,000 CPSs at HK$0.01 each. During the year, pursuant to the capital reorganisation as described in Note 21(a)(i), all CPSs were cancelled.

21. SHARE CAPITAL *(continued)*

Notes:

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

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

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

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

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

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

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

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

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

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

21. SHARE CAPITAL *(continued)*

Notes (continued):

(d) During the year, 68,571,428 new ordinary shares of par value HK$0.10 each were issued at a conversion price of HK$0.105 each on exercise of the Old Bond, resulting in release of the financial derivative component and the liability component in aggregate, at the date of conversion of approximately HK$9,102,000 (Note 20(b)). The conversion gave rise to a credit to share capital of HK$6,857,000 and the remaining balance of HK$2,245,000 was credited to the share premium account.

In addition, 6,925,000,000 new ordinary shares (Note 20(c)) of par value HK$0.01 each were issued at a conversion price of HK$0.04 each on exercise of the New Bonds, resulting in release of liability and equity components of the New Bonds by an aggregate amount of HK$275,880,000 of which HK$69,250,000 was credited to share capital and the remaining balance of HK$206,630,000 was credited to the share premium account.

22. RESERVES

	Notes	Share premium HK$'000 (Note (i))	Warrants reserve HK$'000 (Note (ii))	Convertible bonds – equity component HK$'000 (Note (iii))	Share option reserve HK$'000 (Note (v))	Contributed surplus HK$'000 (Note (vi))	Accumulated losses HK$'000	Total HK$'000
Company								
At 1 January 2008		50,008	2,191	2,627	7,933	–	(58,247)	4,512
Redemption of convertible bond	20	–	–	(2,268)	–	–	2,268	–
Renewal of convertible bond	20	–	–	(359)	–	–	359	–
Release upon lapse and surrender of share options	23(i)	–	–	–	(4,446)	–	4,446	–
Total comprehensive loss for the year		–	–	–	–	–	(111,173)	(111,173)
At 31 December 2008		50,008	2,191	–	3,487	–	(162,347)	(106,661)
Issue of convertible bonds	20	–	–	63,509	–	–	–	63,509
Direct costs incurred for issue of convertible bonds	20	–	–	(911)	–	–	–	(911)
Issue of shares on the exercise of warrants	21(b)	16	(8)	–	–	–	–	8
Release upon lapse of warrants	21(b)	–	(2,183)	–	–	–	2,183	–
Issue of shares on placement	21(c)	11,877	–	–	–	–	–	11,877
Issue of shares upon conversion of convertible bonds	21(d)	2,245	–	–	–	–	–	2,245
Share premium balance transferred to contributed surplus pursuant to the capital reorganisation	21(a)(iv)	(64,146)	–	–	–	64,146	–	–
Capital reduction pursuant to the capital reorganisation	21(a)(ii)&(v)	–	–	–	–	164,941	–	164,941
Contributed surplus set off against accumulated losses pursuant to the capital reorganisation	21(a)(vi)	–	–	–	–	(179,577)	179,577	–
Issue of shares upon conversion of convertible bonds	21(d)	206,630	–	(54,076)	–	–	–	152,554
Release upon lapse and surrender of share options	23(i)	–	–	–	(3,487)	–	3,487	–
Total comprehensive loss for the year		–	–	–	–	–	(62,185)	(62,185)
At 31 December 2009		**206,630**	**–**	**8,522**	**–**	**49,510**	**(39,285)**	**225,377**

22. RESERVES *(continued)*

Notes:

(i) **Share premium**

The application of the share premium account is governed by Section 40 of Bermuda Companies Act 1981.

(ii) **Warrants reserve**

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

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

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

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

Land and buildings revaluation reserve arose in 2005 upon the fair value adjustment when the Group reclassified its land and buildings as investment properties.

(v) **Share option reserve**

This reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible persons, including any full time employees, directors of the Company and its subsidiaries, recognised in accordance with the accounting policy in Note 3 "Employees' benefits – Share-based payments".

(vi) **Contributed surplus**

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

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

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

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

(vii) **Exchange fluctuation reserve**

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

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the balance sheet date (2008: HK$Nil).

23. 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 2009, no options has been granted to any employees or executive directors of the Company.

On 30 November 2007, the Company granted 8,000,000 options to Quants Inc. ("Quants"), a former substantial shareholder of the Company, at the exercise price of HK$2.15 each for a period of 18 months as underwriting commission in respect of the underwriting agreement entered into between the Company and Quants dated 21 September 2007 and such share-based payment was recognised as a transaction cost of HK$3,442,000 charged to share premium. After the share subdivision in December 2007, the number of options and exercise price of the options granted to Quants were adjusted to 80,000,000 and HK$0.215 each respectively. On 26 March 2008, the Company received a notice from Quants, regarding the surrender of the 80,000,000 options granted to Quants and the Company agreed this surrender and the full amount of HK$3,442,000 was released to accumulated losses accordingly.

In 2008, 10,538,000 share options were lapsed. Accordingly, the share-based payment expenses of HK$1,004,000 previously recognised in the share option reserve was also released to accumulated losses during the prior year.

In 2009, all outstanding share options were either surrendered or lapsed, resulting in the remaining amount of HK$3,487,000 released to accumulated losses.

(ii) Options granted under general mandate

No option was granted under general mandate during the year (2008: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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

Movements of share options of the Company during the years ended 31 December 2008 and 2009 were as follows:

	Number of Share Options						
	Outstanding as at 1.1.2008 '000	Lapsed during 2008 '000	Surrendered during 2008 '000	Outstanding as at 31.12.2008 '000	Lapsed during 2009 '000	Surrendered during 2009 '000	Outstanding as at 31.12.2009 '000
Category:							
2002 Option Scheme *(note i)*							
Directors	24,236	–	–	24,236	–	(24,236)	–
Ex-directors	7,376	(7,376)	–	–	–	–	–
Employees	1,897	(1,054)	–	843	(843)	–	–
Consultants	2,108	(2,108)	–	–	–	–	–
Quants	80,000	–	(80,000)	–	–	–	–
	115,617	(10,538)	(80,000)	25,079	(843)	(24,236)	–
Weighted average exercise price	0.276	0.232	0.215	0.490	0.180	0.501	–
Total number of share options	115,617	(10,538)	(80,000)	25,079	(843)	(24,236)	–

24. DISPOSAL AND DEREGISTRATION OF SUBSIDIARIES

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

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

On 30 September 2009, the Group entered into a sale and purchase agreement to dispose of (i) S.I. Finance Group Limited, (ii) S.I. Investments Limited, (iii) S.I. Investments and Finance Limited, (iv) S.I. Hotel Investments Limited and (v) S.I. Hotel (Project Management) Limited for an aggregate cash consideration of HK$5,000.

S.I. Media Shopping Limited and Cellcast Technology (Shenzhen) Limited, which were wholly-owned subsidiaries of the Company, were deregistered on 23 October 2009 and 4 January 2009, respectively. In 2008, 惠州泓開商務諮詢有限公司, wholly-owned subsidiary of the Company, was deregistered.

24. DISPOSAL AND DEREGISTRATION OF SUBSIDIARIES *(continued)*

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

	Notes	2009 HK$'000
Property, plant and equipment	*12*	175
Investment properties	*13*	24,990
Trade receivables, other receivables and prepayments		310
Bank balances and cash		19
Trade payables, other payables and accruals		(285)
Tax payable		(728)
Deferred tax liabilities	*10(b)*	(1,010)
Net identifiable assets and liabilities		23,471
Release of exchange fluctuation reserve		(3,067)
Loss on disposal of subsidiaries, net		(8,634)
Net consideration		11,770
Satisfied by:		
Cash consideration		13,596
Direct costs incurred		(1,826)
		11,770
Net cash inflow arising on disposal:		
Cash consideration		13,596
Bank balances and cash disposed of		(19)
Direct costs paid		(1,826)
		11,751

The subsidiaries disposed of and deregistered during the year ended 31 December 2009 contributed HK$596,000 to the Group's turnover and a net loss of HK$6,827,000 to the Group's operating results.

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

25. MAJOR NON-CASH TRANSACTIONS

As further detailed in Note 28 (b)(ii), on 25 June 2009, the Company obtained a short term loan facility of HK$60 million provided by Wise Sun. The Company has utilised HK$43.6 million of this short term facility in June 2009 and the amount was fully settled by offsetting part of proceeds from the subscription of the Subscription Bonds of HK$120.0 million by Wise Sun.

26. 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 Hong Kong employees. In accordance with the terms of the provident funds, contributions to the schemes by the Group and the employees are calculated as a percentage of the employees' basic salaries. For the MPF Scheme, both the employees and the employer are required to contribute 5% of the employees' monthly salaries up to a maximum of HK$1,000 ("Mandatory Contribution"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement age of 65 years old, death or total incapacity. The unvested benefits of employees forfeited upon termination of employment can be utilised by the Group to reduce future levels of contributions. During the year, the aggregate amount of employer's contribution net of forfeited contribution made by the Group was HK$526,000 (2008: HK$713,000).

Subsidiaries operating in Mainland China are required to participate in a defined contribution retirement plan organised by the local government. The subsidiaries are required to make contributions to the retirement plan at certain percentage of basic salaries of each Mainland China employee of the Group. The Group has no further payment obligations once the contribution has been made.

27. OPERATING LEASE COMMITMENTS

(i) As at 31 December 2009, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group			
	Land and buildings		Equipment	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**1,763**	4,064	**11**	15
Later than one year and not later than five years	**166**	2,120	**6**	17
	1,929	6,184	**17**	32

	Company	
	2009	2008
	HK$'000	HK$'000
Not later than one year	**–**	542

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

(ii) As at 31 December 2009, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Investment properties	
	2009	2008
	HK$'000	HK$'000
Not later than one year	**2,984**	3,471
Later than one year and not later than five years	**400**	1,422
	3,384	4,893

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

28. CREDIT FACILITIES, PLEDGE OF ASSETS AND GUARANTEES

(a) As at 31 December 2009, the Group had aggregate banking facilities of HK$58,000,000 (2008: HK$64,085,000) from banks for guarantees and loans. The banking facilities are secured by:

(i) cross guarantees totalling HK$55,000,000 (2008: HK$55,000,000) given by the Company and certain of its subsidiaries in respect of a shared banking facility to be used by the Company and these subsidiaries.

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

(ii) all investment properties of the Group with a total carrying value of HK$116,000,000 (2008 certain investment properties: HK$116,000,000) as at 31 December 2009 (Note 13).

(iii) personal guarantees of a director of the Company who resigned on 18 September 2009 and an ex-director of a subsidiary up to the extent of HK$Nil (2008: HK$390,000) of a bank loan denominated in United States dollars. The guarantee was discharged upon an early settlement of the loan during the year.

(iv) 80% guarantee given by the Government and a corporate guarantee from a subsidiary of the Company for the SME loan disclosed in Note 19.

(b) (i) The Group's unsecured revolving term loan facility of HK$20,000,000 from Quants was contracted on 12 April 2007 for a period of 18 months from 1 July 2007 to 31 December 2008. The above facility of HK$20,000,000 from Quants was renewed on 31 December 2008 for a period of 18 months from 1 January 2009 to 30 June 2010. No amount was drawn by the Group from this facility during the year (2008: HK$Nil).

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

29. LITIGATION

A third party notice was served upon the Company in September 1998 to seek indemnity/contribution from the Company and was subsequently amended in October 1998. The Company is alleged to be in default of the co-operative agreement in respect of a corporate guarantee of HK$2,000,000. After obtaining 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, and therefore no provision has been made in the financial statements in respect of the alleged claim.

30. CAPITAL COMMITMENTS

The Group and the Company did not have any significant capital commitments as at 31 December 2008 and 2009.

31. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(i) Details of transactions between the Group and other related parties, save as disclosed elsewhere in these financial statements, are as follows:

(a) In prior year, a subsidiary of the Company received management service income of HK$786,000 from Quants and its subsidiary for the provision of general administrative and corporate services.

(b) In prior year, a subsidiary of the Company received telecommunication revenue of HK$1,971,000 from a subsidiary of Quants.

(c) The Company incurred interest expenses for a short term loan from and the Subscription Bonds issued to Wise Sun of HK$489,000 (2008: HK$Nil) and HK$1,700,000 (2008: HK$Nil) for the year respectively.

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

(ii) Members of key management personnel during the year comprised only of the executive directors whose remuneration is set out in Note 9.

32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Notes 19 and 20, bank balances and cash disclosed in Note 17 and equity attributable to owners of the Company, comprising share capital and reserves disclosed in Note 21 and the consolidated statement of changes in equity, respectively.

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

33. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

(a) Credit risk

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

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the individual customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade debtors and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due within 60 days to 90 days from the date of billing. Debtors with balances that are more than 2 months past due are normally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

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

At 31 December 2009, the Group has a concentration of credit risk as 18% and 63% (2008: 38% and 75%) respectively of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 16.

33. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

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

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

Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2009						
Bank loans	58,111	68,927	4,836	5,059	15,234	43,798
Other loan	50	56	5	51	–	–
Convertible bonds	35,596	43,422	–	43,422	–	–
Trade payables, other payables and accruals	5,916	5,916	5,916	–	–	–
	99,673	118,321	10,757	48,532	15,234	43,798
2008						
Bank loans	63,448	72,698	29,618	2,070	7,045	33,965
Other loans	20,295	22,718	22,718	–	–	–
Convertible bond	5,664	7,740	–	7,740	–	–
Trade payables, other payables and accruals	30,763	30,763	30,763	–	–	–
	120,170	133,919	83,099	9,810	7,045	33,965

33. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

Company	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2009						
Bank loans	44,297	52,528	2,722	2,945	9,126	37,735
Convertible bonds	35,596	43,422	–	43,422	–	–
Other payables and accruals	692	692	692	–	–	–
	80,585	96,642	3,414	46,367	9,126	37,735
2008						
Bank loans	54,850	62,161	28,863	1,324	4,843	27,131
Other loans	20,295	22,718	22,718	–	–	–
Convertible bond	5,664	7,740	–	7,740	–	–
Other payables and accruals	1,639	1,639	1,639	–	–	–
	82,448	94,258	53,220	9,064	4,843	27,131

(c) Interest rate risk

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

33. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk *(continued)*

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

	Group			
	2009		2008	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed-rate borrowings				
Other loans	–	–	25.00	20,295
Convertible bonds	11.80	35,596	50.41	5,664
		35,596		25,959
Variable-rate borrowings				
Bank loans	2.05-11.25	58,111	2.85 – 11.25	63,448
Other loan	10.50	50	–	–
Total borrowings		93,757		89,407
Fixed-rate borrowings as a percentage of total borrowings		38.0%		29.0%

	Company			
	2009		2008	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed-rate borrowings				
Other loans	–	–	25.00	20,295
Convertible bonds	11.80	35,596	50.41	5,664
		35,596		25,959
Variable-rate borrowings				
Bank loans	2.05-2.34	44,297	2.91 – 5.75	54,850
Total borrowings		79,893		80,809
Fixed-rate borrowings as a percentage of total borrowings		44.6%		32.1%

The interest rates and terms of repayment of the Group's and the Company's borrowings are disclosed in Notes 19 and 20.

33. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk *(continued)*

Sensitivity analysis

At 31 December 2009, it is estimated that a general decrease/increase of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by HK$2,232,000 (2008: HK$876,000). Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

(d) Currency risk

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

(e) Price risk

As at the balance sheet date, the Group is not exposed to any equity price risk or commodity price risk, except for the fair value of derivative component of convertible bond issued in the prior year.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008.

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2008 and 2009 may be categorised as follows:

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**300,144**	18,326
Financial liabilities		
Financial liabilities measured at amortised cost	**98,676**	117,076

FIVE YEARS FINANCIAL SUMMARY

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

	Year ended 31 December								
	2009	2008	2007			2006			2005
			Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results									
Turnover	**17,776**	39,051	40,155	4,909	45,064	35,330	97,905	133,235	94,241
Loss attributable to owners of the Company	**(62,263)**	(107,117)	(50,785)	(14,087)	(64,872)	(27,730)	(2,313)	(30,043)	(7,565)
Assets and Liabilities									
Total assets	**420,476**	173,072	196,001	1,645	197,646	189,869	354,076	543,945	319,491
Total liabilities	**(104,148)**	(126,060)	(43,432)	(1,363)	(44,795)	(79,751)	(345,625)	(425,376)	(184,427)
	316,328	47,012	152,569	282	152,851	110,118	8,451	118,569	135,064
Minority interests	**(1,186)**	(1,951)	(2,043)	–	(2,043)	(4)	–	(4)	(204)
Net assets attributable to owners of the Company	**315,142**	45,061	150,526	282	150,808	110,114	8,451	118,565	134,860

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

PARTICULARS OF PROPERTIES

		Type	Lease term
Properties held for investment			
(1)	Shop A (including the external walls), Ground Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	Commercial	Medium
(2)	Shop B (including the external walls), Ground Floor, Loading and Unloading Bays Nos. U1 to U3, U9 and U10, 1st Floor and car parking space Nos. 22, 23, 33, 50 and 50A Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	Commercial	Medium