



2011 Annual Report

# **Sun Innovation Holdings Limited**

Incorporated in Bermuda with limited liability

Stock Code: 547

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# CORPORATE INFORMATION

## DIRECTORS

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

\* *Independent non-executive directors*

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Ms. Chow Fung Ling

## AUDITOR

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

## SOLICITOR

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

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

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

## WEBSITE

[www.suninnovation.com](http://www.suninnovation.com)

## STOCK CODE

547

# BUSINESS REVIEW AND OUTLOOK

## FINANCIAL REVIEW

Following the efforts of last year, the Company and its subsidiaries (collectively known as the “Group”) focused its resources and achieved a turnover from continuing operations of HK\$139,390,000 for the year ended 31 December 2011, representing a significant increase of 453% compared to that of last year (2010: HK\$25,204,000). Profit from continuing operations for the year ended 31 December 2011 was approximately HK\$3,153,000 (2010 (restated): loss of HK\$21,474,000). As a result of the continuing development of the Trading Segment and fair value gains on investment properties, the financial performance of the Group improved steadily and the Group achieved an increased turnover and a profit for the year ended 31 December 2011.

The Board of Directors did not recommend payment of a final dividend for the year ended 31 December 2011 (2010: HK\$Nil).

### Property Investment Segment

The Group owns two shops at the ground floor and 10 car parks in the Citicorp Centre. All shops and majority of car parks were leased out as at 31 December 2011. For the year ended 31 December 2011, the turnover and profit of this Segment amounted to approximately HK\$5,100,000 (2010: HK\$4,896,000) and HK\$4,053,000 (2010: HK\$3,771,000) respectively. The turnover represented 4% of the Group’s overall turnover during the year under review. The growth in turnover and profit was mainly due to slight increase in rental income, which is expected to remain relatively stable in the coming year. The Group would review the existing investment properties portfolio constantly and continue to explore potential profitable investments in Hong Kong and/or PRC.

### Trading Segment

This Segment was engaged in the trading of metal scraps (e.g. copper wire) and Chinese tea among Hong Kong, Mainland China and other countries/regions. It had expanded its operation during the year under review and generated a turnover of approximately HK\$134,290,000 (2010: HK\$20,308,000), reflecting a significant increase of 561% when compared to last year. The turnover of this Segment contributed 96% of the turnover of the Group for the year ended 31 December 2011. The profit of the Trading Segment also recorded a rise of 1,191% to HK\$8,698,000 (2010: HK\$674,000). Benefit from the strong demand and high prices in the global metal market, especially important industrial metal, copper, during the year 2011, there was a substantial growth in the turnover and profit of this Segment for the year ended 31 December 2011. Although the global metal market had price fluctuation and slowdown momentum in the fourth quarter of the year 2011, the metal market would be strengthened by the increasing internal demand in PRC.

The Group would put continuous effort in supporting and exploring new opportunities for this Segment, with an aim of strengthening the business foundation of the Group.

# BUSINESS REVIEW AND OUTLOOK

## CAPITAL

In March 2011, a holder of the convertible bonds of the Company in the principal amount of HK\$38,000,000 exercised its rights and converted these outstanding convertible bonds into 950,000,000 shares of the Company. Details of the conversion were disclosed in the Next Day Disclosure Return of the Company dated 25 March 2011.

As at 31 December 2011, the total number of issued shares of the Company was 9,832,685,768 shares and there was no outstanding convertible bond.

## POSSIBLE ACQUISITIONS

On 3 April 2011, the Company executed an agreement (the “Framework Agreement”) with Guangxi Non-ferrous Metals Group Company Limited and Guangxi Sincerity Investments & Trading Company Limited (the “Guangxi Parties”) in respect of possible acquisitions of certain companies (the “Target Group”) which hold mines in South Africa and Cambodia (the “Possible Acquisitions”). Pursuant to the Framework Agreement, the parties agreed to use reasonable endeavours to complete their respective further due diligence in respect of the transactions contemplated under the Possible Acquisitions on an exclusive basis within one year of the date of the Framework Agreement. Subject to such due diligence, the parties may enter into a legally binding sale and purchase agreement (the “Formal Agreement”). Subject to the entering into of the Formal Agreement, the transactions as currently contemplated in the Framework Agreement may constitute a reverse takeover for the Company under Rule 14.06(6)(b) of the Listing Rules, on the basis that such transactions may constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and may at the same time involve an acquisition of assets from the Guangxi Parties within 24 months of the Guangxi Parties and parties acting in concert with any of them gaining control of the Company. Accordingly, under Rule 14.54 of the Listing Rules, the Company may be treated as if it were a new listing applicant.

During the year of 2011, due diligence review on the Target Group and feasibility studies, examination of mineral samples and other technical work in connection with the preparation of the reports on the reserves and/or resources of the Target Group’s mines in South Africa and Cambodia were conducted continuously.

In January 2012, the Company announced that it understood from the technical consultant engaged to prepare the reports on those reserves and/or resources that it was expected to take at least a further six months to complete those reports. The Company also understood from the Guangxi Parties that they would require more time to complete certain internal corporate reorganisation of the Target Group before they are in a position to proceed with the Possible Acquisitions. The Framework Agreement provided for an exclusivity period during which the parties had agreed, on a binding basis, to engage in exclusive negotiations with respect to the Possible Acquisitions which would be due to expire on 2 April 2012. The Board had commenced discussions with the Guangxi Parties with a view to determining whether to extend the term of the exclusivity period and if so, whether any of the indicative terms of the Possible Acquisitions contained in the Framework Agreement would need to be revised or supplemented.

## BUSINESS REVIEW AND OUTLOOK

Subsequently in February 2012, the Company further announced the progress of the Possible Acquisitions that, inter alia, the due diligence review being carried out by the Company and its advisers on the Target Group was ongoing but with limited progress and the reports on the reserves and/or resources of the Target Group's mines in South Africa and Cambodia were still under preparation by the technical consultant engaged by the Company. There was no agreement reached between the Company and the Guangxi Parties on whether to extend the term of the exclusivity period in the Framework Agreement which is due to expire on 2 April 2012 and if so, whether any of the indicative terms of the Possible Acquisitions contained in the Framework Agreement would need to be revised or supplemented.

Details of the Possible Acquisitions were disclosed in the announcement of the Company dated 11 April 2011 and the subsequent announcements dated 11 May 2011, 10 June 2011, 11 July 2011, 11 August 2011, 9 September 2011, 10 October 2011, 10 November 2011, 9 December 2011, 9 January 2012 and 8 February 2012 respectively.

### 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.

During the financial year under review, the Group had banking facilities in forms of mortgage loan and instalment loans. These banking facilities were secured by the Group's investment properties with aggregate net book value of HK\$132.4 million as at 31 December 2011. In addition, the Company and certain subsidiaries provided a bank of cross guarantees totalling HK\$55 million in respect of these banking facilities to be used by the Company and these subsidiaries.

In 2011, the Group early repaid the aforesaid mortgage loan and instalment loans in the principal amount of approximately HK\$48 million. After the early repayment, the pledges of Group's investment properties related to the aforesaid mortgage loan and instalment loans were released and the cross guarantees provided by the Company and certain subsidiaries would be released subsequently.

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

## BUSINESS REVIEW AND OUTLOOK

The cash and bank balances as at 31 December 2011 was approximately HK\$182 million. As at 31 December 2011, the Group had a banking facility in amount of approximately HK\$5 million. This bank loan was at floating interest rate and denominated in Hong Kong dollar. According to the Hong Kong Interpretation 5 issued by the Hong Kong Institute of Certified Public Accountant in November 2010, a bank loan even with the agreed scheduled repayments dates that longer than 12 months from the year-end date should be classified as “current liability” if there was a “repayment on demand clause” in the banking facility. According to this interpretation, this bank loan of the Group was classified as “current liability” as at 31 December 2011. The respective figure of this bank loan and other bank loans of the Group for last financial year was already classified according to this interpretation.

The Group’s current assets were approximately HK\$218 million while the current liabilities were approximately HK\$19 million as at 31 December 2011. As at 31 December 2011, the Group’s current ratio was 11.5 (at 31 December 2010: 2.8).

As at 31 December 2011, the Group’s gearing ratio, representing the Group’s bank loans, non-bank loans and convertible bonds (if any) divided by the equity attributable to owners of the Company was 1% (at 31 December 2010: 31%).

### EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group’s turnover, expenses, assets and liabilities were denominated in Hong Kong dollars (“HKD”), Renminbi (“RMB”) and United States dollars (“USD”). The exchange rates of USD against HKD remained relatively stable during the financial year under review. Certain expenses of the Group incurred in RMB which had fluctuated in a relatively greater extent in the financial year under review. However, the amount of RMB expenses incurred were immaterial, the appreciation of RMB against HKD did not have material adverse effect on the operation of the Group for the financial year under review.

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

### CONTINGENT LIABILITIES

As at 31 December 2011, 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 2011, the total headcount of the Group was 23.

# BUSINESS REVIEW AND OUTLOOK

## PROSPECT

Global economy in the year of 2011 was full of changes, instabilities, austerities and crisis. The European debt crisis, turbulent political situation and unstable macro-economies were rampant from the western developed countries to the eastern developing countries. The global metal commodities markets slowed down in the second half year of 2011. International analysts opined that these factors together with the slow economic recovery in the United States are weighing on the economy of China. Economists expected the economic expansion in China would become moderate during the year of 2012 to an average of 8.1% a year as net exports subtract from GDP growth. The contribution of private consumption to real GDP growth will rise to an average of 41% in the period. Economists expected China may have soft landing in its business cycle and further stringent policies may be implemented.

During the first half year of 2011, the Group achieved to expand and improve the performance of the Trading Segment of the Company which was reflected in the tremendous growth of the turnover and profit of this Segment. However, in the second half year of 2011, the aforesaid global economic environment affected the metal trading business in the Trading Segment. The growth rate relatively slowed down in the 4th quarter of 2011.

Despite the global economic uncertainties in the year of 2012, the Group will continue to strive for stable growth of the Trading and Property Investment Segments. Active exploration of new potential business opportunities will be the primary goal and task of the Group in order to achieve a promising and prospective value to all valued shareholders and investors of the Company.

# CORPORATE GOVERNANCE REPORT

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

## CORPORATE GOVERNANCE PRACTICES

The Company’s corporate governance practices are based on the principles and code provisions (“Code Provisions”) set out in the Code of Corporate Governance Practices (“CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”), which came into effect on 1 January 2005. The Company has complied with most of the Code Provisions during the financial year of 2011 save for the following:

1. The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to By-law 87(1) of the Company’s Bye-laws;
2. There is no separation of the role of the Chairman and the Chief Executive Officer (“CEO”). Mr. Zhou Jian is the Chairman of the Company and the Company does not have any officer with the title of CEO. The roles and functions of CEO are performed by all the executive directors collectively in view of the current size of the Group. The Board will periodically review such arrangement and may adopt appropriate measures in future during the further development of the Group’s businesses; and
3. The independent non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and eligible for re-election at the annual general meeting pursuant to the Company’s Bye-laws and the CG Code. The service contracts of all the independent non-executive directors have a termination notice requirement of one month.

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

## DIRECTORS’ SECURITIES TRANSACTIONS

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

To the specific enquiry by the Company, all Directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2011.

## INTERNAL CONTROL

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

# CORPORATE GOVERNANCE REPORT

## THE BOARD

### Responsibilities

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

The Board acknowledges its responsibility for preparing the financial statements of the Company and the Group which give a true and fair view of the Group's affairs in accordance with statutory requirements and applicable accounting standards. The statement by the auditor of the Company about their reporting responsibilities for the financial statements of the Company is set out on pages 22 to 23 in the Independent Auditor's 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 2011, the Board comprised five members, including two Executive Directors and three Independent Non-executive Directors. Biographical details of the Directors are set out on page 15.

During the year ended 31 December 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

# CORPORATE GOVERNANCE REPORT

## THE BOARD *(continued)*

### Board Meetings

Four Board meetings were held during the year ended 31 December 2011 and details of the Directors' attendance are set out below:

Directors	Attendance/Number of Meetings
<i>Executive Directors</i>	
Mr. Zhou Jian ( <i>Chairman</i> )	4/4
Mr. Fan Lei	4/4
<i>Independent Non-executive Directors</i>	
Ms. Lau Cheong	4/4
Mr. Duan Xiongfei	4/4
Mr. Tam Tak Kei, Raymond	4/4

## DELEGATION BY THE BOARD

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

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

## EXECUTIVE COMMITTEE

The Executive Committee comprises all Executive Directors of the Company and it assists the Board in discharging its duties and dealing with routine business of the Company and enhances the effectiveness and efficiency of day-to-day operation of the Company. 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, reappointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the half-yearly and annual financial statements before submission to the Board and (ii) the Company's financial control, internal control and risk management systems and the internal audit programme. It also needs to discuss problems and reservations arising from the interim and final audits and to consider the major findings of internal investigations and management's response.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE *(continued)*

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

Audit Committee Members	Attendance/Number of Meetings
Mr. Duan Xiongfei ( <i>Chairman</i> )	2/2
Ms. Lau Cheong	2/2
Mr. Tam Tak Kei, Raymond	2/2

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

## NOMINATION COMMITTEE

As at 31 December 2011, the Nomination Committee consisted of Ms. Lau Cheong, Mr. Duan Xiongfei and Mr. Tam Tak Kei, Raymond, the Independent Non-executive Directors and Mr. Fan Lei, the Executive Director. Ms. Lau Cheong was the chairlady of the Nomination Committee.

The chairperson of the Nomination Committee of the Company will be changed on 6 March 2012. Ms. Lau Cheong will cease to be the chairlady of the Nomination Committee but remains as a member of the Nomination Committee and Mr. Duan Xiongfei will be appointed as the chairman of the Nomination Committee with effect from 6 March 2012.

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

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

Nomination Committee Members	Attendance/Number of Meeting
Ms. Lau Cheong ( <i>Chairlady</i> )	1/1
Mr. Fan Lei	1/1
Mr. Duan Xiongfei*	1/1
Mr. Tam Tak Kei, Raymond	1/1

\* From 6 March 2012 onwards, Mr. Duan will be the chairman of this committee.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE *(continued)*

During the year under review, the Nomination Committee had reviewed the structure, size and composition of the Board of Directors of the Company and the retirement and re-appointment arrangement of the Directors in the Company's annual general meeting.

## REMUNERATION COMMITTEE

As at 31 December 2011, the Remuneration Committee consisted of Mr. Fan Lei, Executive Director, and Ms. Lau Cheong, Mr. Duan Xiongfei and Mr. Tam Tak Kei, Raymond, all Independent Non-executive Directors. Mr. Fan Lei was the chairman of this committee.

In order to comply with the forthcoming amendments to the Listing Rules which will be effective on 1 April 2012, Mr. Fan Lei will cease to be the chairman of the Remuneration Committee of the Company but remains as a member of the Remuneration Committee and Mr. Duan Xiongfei will be appointed as the chairman of the Remuneration Committee with effect from 6 March 2012.

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

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

Remuneration Committee Members	Attendance/Number of Meeting
Mr. Fan Lei ( <i>Chairman</i> )	1/1
Ms. Lau Cheong	1/1
Mr. Duan Xiongfei*	1/1
Mr. Tam Tak Kei, Raymond	1/1

\* From 6 March 2012 onwards, Mr. Duan will be the chairman of this committee.

During the year under review, the Remuneration Committee reviewed the existing remuneration policies of the Company and salary adjustment of the Independent Non-executive Directors and an Executive Director of the Company.

## AUDITOR'S REMUNERATION

The remuneration paid to the external auditor in respect of audit services provided to the Group for the year ended 31 December 2011 amounted to HK\$650,000 and HK\$50,000 was also paid to external auditor for non-audit service for the year then ended.

# DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2011.

## PRINCIPAL ACTIVITIES

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

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

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

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 24. The Board of Directors does not recommend payment of a final dividend (2010: HK\$Nil).

## RESERVES

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

In view of the losses sustained by the Company, distributable reserves of the Company at 31 December 2011 amounted to HK\$49,510,000 solely comprised of contributed surplus.

## PROPERTY, PLANT AND EQUIPMENT

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

# DIRECTORS' REPORT

## INVESTMENT PROPERTIES

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

Investment properties were valued at their open market value at 31 December 2011 by DTZ Debenham Tie Leung Limited, an independent firm of professional qualified valuer. The valuation gave rise to fair value gain amounted to HK\$14,400,000 (2010: HK\$2,000,000).

## SHARE CAPITAL

Details of movements in the Company's issued share capital and options during the year and outstanding as at 31 December 2011 are set out in Notes 22 and 24 to the financial statements.

## DIRECTORS

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

### Executive Directors

Zhou Jian  
Fan Lei

### Independent Non-executive Directors

Lau Cheong  
Duan Xiongfei  
Tam Tak Kei, Raymond

In accordance with Bye-law 87(1) of the Company's Bye-laws, Mr. Tam Tak Kei, Raymond will retire and, being eligible, to offer himself for re-election at the forthcoming annual general meeting.

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

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

## BIOGRAPHICAL DETAILS OF DIRECTORS

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

### Executive Directors

**Zhou Jian**, aged 43, 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 was 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 also an executive director of Hi Sun Technology (China) Limited, a company whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 818).

**Fan Lei**, aged 38, 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 previously worked in China Construction Bank and Bank of Communications and has more than 15 years of experience in banking industry including asset management in the PRC. He was the Chief Investment Director of Beijing Changhe Century Asset Management Limited.

### Independent Non-executive Directors

**Lau Cheong**, aged 28, 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 43, was appointed as Independent Non-executive Director on 21 July 2009. Mr. Duan holds a Master's Degree in Economics from Renmin University of China and a Master's Degree in Business Administration from University of Chicago. He is an associated member of National Futures Association in the United States of America and has over 15 years of experience in securities trading and investment industry. Mr. Duan is currently the Managing Partner of Shanghai Ruiyue Capital Management, Inc. and the Partner of Guarda Capital Management, Inc. in Canada which qualifies as a registered commodity trading advisor in the United States of America.

**Tam Tak Kei, Raymond**, aged 48, 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. Mr. Tam acted as the financial controller of international law firms for many years and has over 25 years of professional accounting experience. He was also appointed as an independent non-executive director of Tianjin Tianlian Public Utilities Company Limited (stock code: 1265) and Vision Fame International Holding Limited (stock code: 1315) on 15 February 2011 and 19 December 2011 respectively, both are listed companies on the Stock Exchange of Hong Kong Limited.

# DIRECTORS' REPORT

## SHARE OPTION SCHEME

The Company adopted its share option scheme on 16 May 2002 (the "Option Scheme"), under which the Company may grant options to any Executive or Non-executive Directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards. Apart from the Option Scheme, the Company did not have any other share option scheme.

During the year under review, the Company did not grant any options to any person and therefore, as at 31 December 2011 there was no outstanding options to subscribe for any shares of the Company under the Option Scheme.

**(1) Purpose**

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

**(2) Participants**

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

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

The total number of shares which may be issued upon exercise of options to be granted under the Option Scheme shall not exceed 10% of the shares in issue as at the date of adoption of the Option Scheme on 16 May 2002 (i.e. 418,243,897 shares). Such limit was refreshed by the shareholders in the general meetings during the years of 2004 to 2010. The current number of shares available for issue upon exercise of options to be granted under the Option Scheme is 875,768,576 shares, representing approximately 8.91% of the issued share capital of the Company as at the date of this annual report.

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

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

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

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

## SHARE OPTION SCHEME *(continued)*

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

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

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

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

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

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

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

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

- (a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;
- (b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and
- (c) the nominal value of the share on the date of grant.

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

The Option Scheme is valid and effective for a period of 10 years commencing on 16 May 2002 and shall be expired on the tenth anniversary date, i.e. 16 May 2012. Therefore, the Company will adopt a new option scheme in the forthcoming annual general meeting of the Company in 2012.

## DIRECTORS' INTERESTS IN CONTRACTS

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

# DIRECTORS' REPORT

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2011, the interests and short positions of the directors and chief executives 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:

### 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 <i>(Note)</i>	2,610,395,180	26.55%

*Note:* Mr. Zhou Jian held 2,610,395,180 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 2011, no interests and short positions 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 2011, 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 Note 31 to the financial statements.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of directors and chief executives, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

### Long Positions

*Ordinary shares of HK\$0.01 each*

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 <i>(Note 1)</i>	2,610,395,180	26.55%
Bright Ace Holdings Limited	Held by controlled corporation <i>(Note 1)</i>	2,610,395,180	26.55%
Zhou Jian	Held by controlled corporation <i>(Note 1)</i>	2,610,395,180	26.55%
Mass Channel Investment Limited	Beneficial owner <i>(Note 2)</i>	1,750,000,000	17.80%
Xu Chun Sheng (former name was "Xu Kai")	Held by controlled corporation <i>(Note 2)</i>	1,750,000,000	17.80%
Fortune Source International Limited	Beneficial owner <i>(Note 3)</i>	1,125,000,000	11.44%
Zhang Xiaoqun	Held by controlled corporation <i>(Note 3)</i>	1,125,000,000	11.44%
Oriental Fortune Investments Limited	Beneficial owner <i>(Note 4)</i>	950,000,000	9.66%
Che Tao	Held by controlled corporation <i>(Note 4)</i>	950,000,000	9.66%

#### Notes:

1. Wise Sun Holdings Limited is wholly owned by Bright Ace Holdings Limited which in turn is wholly owned by Mr. Zhou Jian.
2. Mass Channel Investment Limited is wholly owned by Mr. Xu Chun Sheng (former name was "Xu Kai").
3. Fortune Source International Limited is wholly owned by Mr. Zhang Xiaoqun.
4. Oriental Fortune Investments Limited is wholly owned by Mr. Che Tao.

# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

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

### Purchases

– the largest supplier	88%
– five largest suppliers combined	99%

### Sales

– the largest customer	33%
– five largest customers combined	98%

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"), among the Entertainment Media Segment which was discontinued by the end of December 2010, has imposed certain specific performance obligations on the Company, pursuant to which, the Company shall not (i) hold less than 51% of the Subsidiary's equity interests effectively and (ii) hold less than 100% of equity interest in an intermediate wholly-owned subsidiary of the Company which held the Subsidiary ("Intermediate Holding Company"). The bank shall have the right to demand for repayment of all outstanding amounts due by the Subsidiary under the Facility, unless otherwise approved by the bank, if there is any breach of the aforesaid conditions. As at 31 December 2011, the outstanding loan principal of this Facility amounted approximately HK\$4.8 million and the original last monthly instalment repayment should be in the year 2014.

However, on 20 December 2010, the Company announced that it would not provide further financial assistance to the Entertainment Media Segment. As a result, the operation of the Subsidiary was discontinued at the end of December 2010. The aforesaid bank took legal action against the Subsidiary and its Intermediate Holding Company in respect of the Facility. However, there were no corporate guarantees for the Facility issued by the Company and other subsidiaries of the Company in favour of the Subsidiary and its Intermediate Holding Company.

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

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

### **CORPORATE GOVERNANCE**

A report on the principal corporate governance practice adopted by the Company is set out in pages 8 to 12 of the annual report.

### **PRE-EMPTIVE RIGHTS**

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

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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

### **AUDITOR**

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 auditor of the Company.

On behalf of the Board

**Zhou Jian**  
*Chairman*

Hong Kong, 5 March 2012

# INDEPENDENT AUDITOR'S REPORT



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25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

## TO THE SHAREHOLDERS OF SUN INNOVATION HOLDINGS LIMITED

(known as “奧亮集團有限公司” for identification purpose)

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Sun Innovation Holdings Limited (the “Company”) and its subsidiaries (thereafter referred to as the “Group”) set out on pages 24 to 94, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**BDO Limited**  
*Certified Public Accountants*

**Lam Siu Fung**  
Practising Certificate number: P05308  
Hong Kong, 5 March 2012

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000 (Restated) <i>Note 2(a)</i>
<b>Continuing operations</b>			
Revenue	5	139,390	25,204
Cost of sales and services		(125,497)	(19,773)
Gross profit		13,893	5,431
Other revenue and net gains or losses	6	735	436
Selling and distribution expenses		(61)	(1,073)
Administrative expenses and other net operating expenses		(21,422)	(22,449)
Finance costs	8	(1,720)	(5,494)
Loss on deregistration and dissolution of subsidiaries, net	26	(2,450)	(2)
Fair value gains on investment properties	14	14,400	2,000
Allowance for doubtful debts on trade and other receivables		–	(675)
Profit/(loss) before taxation		3,375	(21,826)
Taxation	10(a)	(222)	352
Profit/(loss) for the year from continuing operations	7	3,153	(21,474)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	11	(1,419)	(10,341)
<b>Profit/(loss) for the year</b>	7	<b>1,734</b>	<b>(31,815)</b>
Profit/(loss) attributable to:			
– Owners of the Company		1,936	(29,033)
– Non-controlling interest		(202)	(2,782)
		<b>1,734</b>	<b>(31,815)</b>
Profit/(loss) per share from continuing and discontinued operations:			
– Basic and diluted	12	HK cent 0.020	HK cent (0.331)
Profit/(loss) per share from continuing operations:			
– Basic and diluted	12	HK cent 0.033	HK cent (0.245)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	2011 HK\$'000	2010 HK\$'000 (Restated) <i>Note 2(a)</i>
Profit/(loss) for the year	1,734	(31,815)
<b>Other comprehensive income</b>		
Currency translation differences	(381)	(527)
Reclassification adjustment of exchange fluctuation reserve upon deregistration and dissolution of subsidiaries	2,987	–
<b>Other comprehensive income for the year, net of tax</b>	2,606	(527)
<b>Total comprehensive income for the year</b>	4,340	(32,342)
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	4,542	(29,560)
– Non-controlling interest	(202)	(2,782)
	4,340	(32,342)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

		31 December 2011 HK\$'000	31 December 2010 HK\$'000 (Restated) Note 2(a)	1 January 2010 HK\$'000 (Restated) Note 2(a)
<b>Non-current assets</b>				
Property, plant and equipment	13	1,065	1,272	1,993
Investment properties	14	132,400	118,000	116,000
Intangible assets	15	–	–	–
		<b>133,465</b>	<b>119,272</b>	<b>117,993</b>
<b>Current assets</b>				
Trading merchandise goods	16	1,059	–	–
Trade receivables, other receivables and prepayments	17	34,649	8,451	6,065
Bank balances and cash	18	182,342	261,067	296,418
		<b>218,050</b>	<b>269,518</b>	<b>302,483</b>
<b>Current liabilities</b>				
Trade payables, other payables and accruals	19	13,323	6,111	5,916
Bank and other borrowings	20	4,854	54,830	58,111
Convertible bonds	21	–	35,188	–
Tax payable		330	108	108
		<b>18,507</b>	<b>96,237</b>	<b>64,135</b>
<b>Net current assets</b>		<b>199,543</b>	<b>173,281</b>	<b>238,348</b>
<b>Total assets less current liabilities</b>		<b>333,008</b>	<b>292,553</b>	<b>356,341</b>
<b>Non-current liabilities</b>				
Bank and other borrowings	20	–	–	50
Convertible bonds	21	–	–	35,596
Deferred tax liabilities	10(b)	999	999	1,329
		<b>999</b>	<b>999</b>	<b>36,975</b>
<b>Net assets</b>		<b>332,009</b>	<b>291,554</b>	<b>319,366</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

as at 31 December 2011

		31 December 2011 HK\$'000	31 December 2010 HK\$'000 (Restated) <i>Note 2(a)</i>	1 January 2010 HK\$'000 (Restated) <i>Note 2(a)</i>
EQUITY				
Share capital	22	98,327	88,827	87,577
Reserves		235,480	204,323	230,603
Equity attributable to owners of the Company		333,807	293,150	318,180
Non-controlling interest		(1,798)	(1,596)	1,186
Total equity		332,009	291,554	319,366

The financial statements were approved and authorised for issue by the Board of Directors on 5 March 2012 and are signed on its behalf by:

Zhou Jian  
DIRECTOR

Fan Lei  
DIRECTOR

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	36	48
Interests in subsidiaries	25	152,275	198,776
		152,311	198,824
<b>Current assets</b>			
Other receivables and prepayments	17	5,814	1,527
Bank balances and cash		146,877	165,768
		152,691	167,295
<b>Current liabilities</b>			
Other payables and accruals	19	887	559
Bank and other borrowings	20	–	42,482
Convertible bonds	21	–	35,188
		887	78,229
<b>Net current assets</b>		151,804	89,066
<b>Total assets less current liabilities</b>		304,115	287,890
<b>Net assets</b>		304,115	287,890
<b>EQUITY</b>			
Share capital	22	98,327	88,827
Reserves	23	205,788	199,063
<b>Total equity</b>		304,115	287,890

The financial statements were approved and authorised for issue by the Board of Directors on 5 March 2012 and are signed on its behalf by:

**Zhou Jian**  
DIRECTOR

**Fan Lei**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

Notes	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Convertible bonds - equity component HK\$'000	Land and buildings revaluation reserve HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
	(Note 23(ii))	(Note 23(ii))	(Note 23(iii))	(Note 23(iii))	(Note 23(iv))	(Note 23(v))				
As at 1 January 2010, as previously reported	87,577	206,630	8,522	7,355	49,510	(2,064)	(42,388)	315,142	1,186	316,328
Effect of change in accounting policy	2(a)	-	-	-	-	-	3,038	3,038	-	3,038
As at 1 January 2010, as restated	87,577	206,630	8,522	7,355	49,510	(2,064)	(39,350)	318,180	1,186	319,366
Loss for the year (restated)	-	-	-	-	-	-	(29,033)	(29,033)	(2,782)	(31,815)
Currency translation differences	-	-	-	-	-	(527)	-	(527)	-	(527)
Total comprehensive income for the year (restated)	-	-	-	-	-	(527)	(29,033)	(29,560)	(2,782)	(32,342)
Issue of shares upon conversion of convertible bonds	21 & 22	1,250	4,271	(991)	-	-	-	4,530	-	4,530
As at 31 December 2010, as restated	88,827	210,901	7,531	7,355	49,510	(2,591)	(68,383)	293,150	(1,596)	291,554
As at 1 January 2011, as previously reported	88,827	210,901	7,531	7,355	49,510	(2,591)	(71,751)	289,782	(1,596)	288,186
Effect of change in accounting policy	2(a)	-	-	-	-	-	3,368	3,368	-	3,368
As at 1 January 2011, as restated	88,827	210,901	7,531	7,355	49,510	(2,591)	(68,383)	293,150	(1,596)	291,554
Profit/(loss) for the year	-	-	-	-	-	-	1,936	1,936	(202)	1,734
Currency translation differences	-	-	-	-	-	(381)	-	(381)	-	(381)
Reclassification adjustment of exchange fluctuation reserve upon deregistration and dissolution of subsidiaries	-	-	-	-	-	2,987	-	2,987	-	2,987
	-	-	-	-	-	2,606	-	2,606	-	2,606
Total comprehensive income for the year	-	-	-	-	-	2,606	1,936	4,542	(202)	4,340
Issue of shares upon conversion of convertible bonds	21 & 22	9,500	34,146	(7,531)	-	-	-	36,115	-	36,115
As at 31 December 2011	98,327	245,047	-	7,355	49,510	15	(66,447)	333,807	(1,798)	332,009

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	2011 HK\$'000	2010 HK\$'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before taxation from continuing operations	3,375	(21,826)
Loss before taxation from discontinued operations	(1,419)	(10,341)
	<b>1,956</b>	<b>(32,167)</b>
Adjustments for:		
Allowance for doubtful debts on trade and other receivables, net	99	2,714
Depreciation of property, plant and equipment	451	1,013
Impairment loss on property, plant and equipment	–	583
Loss on disposal of property, plant and equipment	20	253
Loss on deregistration and dissolution of subsidiaries, net	2,450	2
Net exchange gains	(381)	(511)
Fair value gains on investment properties	(14,400)	(2,000)
Interest income	(692)	(333)
Finance costs	2,100	5,827
	<b>(8,397)</b>	<b>(24,619)</b>
Operating loss before working capital changes	(8,397)	(24,619)
Increase in trading merchandise goods	(1,059)	–
Increase in trade receivables, other receivables and prepayments	(26,212)	(5,095)
Increase in trade payables, other payables and accruals	7,570	197
	<b>(28,098)</b>	<b>(29,517)</b>
Cash used in operating activities	(28,098)	(29,517)
Interest paid	(793)	(1,701)
<b>Net cash used in operating activities</b>	<b>(28,891)</b>	<b>(31,218)</b>
<b>Investing activities</b>		
Interest received	448	333
Purchases of property, plant and equipment	(264)	(1,185)
Direct costs incurred on deregistration and dissolution	(43)	–
<b>Net cash generated from/(used in) investing activities</b>	<b>141</b>	<b>(852)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

for the year ended 31 December 2011

	2011 HK\$'000	2010 HK\$'000
<b>Financing activity</b>		
Repayment of bank loans	(49,976)	(3,281)
<b>Net cash used in financing activity</b>	<b>(49,976)</b>	<b>(3,281)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(78,726)</b>	<b>(35,351)</b>
Effect of foreign exchange rate changes	1	–
Cash and cash equivalents at the beginning of the year	261,067	296,418
<b>Cash and cash equivalents at the end of the year</b>	<b>182,342</b>	<b>261,067</b>
<b>Represented by:</b>		
Bank balances and cash	182,342	261,067

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 1. ORGANISATION AND OPERATIONS

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and has its principal place of business at Rooms 1818-1823, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Company’s principal subsidiaries are set out in Note 25.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

- (a) Adoption of new/revised HKFRSs – effective 1 January 2011 and early adoption of HKFRSs

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issue
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

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

### HKFRS 3 (Amendments) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests (“NCI”) at either fair value or the NCI’s proportionate share in the recognised amounts of the acquiree’s identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in the event of liquidation. Other components of NCI are measured at their acquisition-date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group’s financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

- (a) Adoption of new/revised HKFRSs – effective 1 January 2011 and early adoption of HKFRSs (continued)

### HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the adoption of HKAS 24 (Revised) has no impact on the Group’s reported profit or loss, total comprehensive income or equity and disclosures for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

In addition, as explained below, the Group has early adopted the amendments to HKAS 12 “Income Taxes” during the current year.

### Early adoption of amendments to HKAS 12 “Income Taxes”

Amendments to HKAS 12 titled “Deferred Tax: Recovery of Underlying Assets” have been applied in advance of their effective date (annual periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sales.

The Group’s investment properties are measured using the fair value model and the directors have assessed that the presumption applies to the Group. In accordance with the transaction provision of the amendments to HKAS 12, this change in accounting policy has been accounted for retrospectively.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

- (a) Adoption of new/revised HKFRSs – effective 1 January 2011 and early adoption of HKFRSs (continued)

### Early adoption of amendments to HKAS 12 “Income Taxes” (continued)

The effects of the early adoption of HKAS 12 (Amendments) on the consolidated income statement are as follows:

	2011 HK\$'000	2010 HK\$'000
Decrease in taxation and increase in profit (2010: decrease in loss) for the year	2,376	330
Increase in profit (2010: decrease in loss) for the year attributable to owners of the Company	2,376	330
Increase in basic and diluted earnings (2010: decrease in basic and diluted loss) per share from continuing and discontinued operations (HK cent per share)	0.025	0.004
Increase in basic and diluted earnings (2010: decrease in basic and diluted loss) per share from continuing operations (HK cent per share)	0.025	0.004

The effects of the early adoption of HKAS 12 (Amendments) on the consolidated statement of financial position are as follows:

	31 December 2011 HK\$'000	31 December 2010 HK\$'000	1 January 2010 HK\$'000
Decrease in deferred tax liabilities	5,744	3,368	3,038
Increase in net assets	5,744	3,368	3,038
Decrease in accumulated losses	5,744	3,368	3,038

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

- (b) New/revised HKFRSs that have been issued but not yet effective and not early adopted

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

		Effective date
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets	(i)
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income	(ii)
HKFRS 9	Financial Instruments	(iii)
HKFRS 10	Consolidated Financial Statements	(iii)
HKFRS 12	Disclosure of Interests in Other Entities	(iii)
HKFRS 13	Fair Value Measurement	(iii)
HKAS 27 (2011)	Separate Financial Statements	(iii)

### Effective date:

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

### Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions is undertaken around the end of a reporting period.

### Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

- (b) New/revised HKFRSs that have been issued but not yet effective and not early adopted (continued)

### HKFRS 9 – Financial Instruments

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

### HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

- (b) New/revised HKFRSs that have been issued but not yet effective and not early adopted (continued)

### HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.

### HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 “Financial Instruments: Disclosures”. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

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

### Basis of measurement

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### **Basis of consolidation**

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

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

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

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

### **Business combination**

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs incurred are expensed.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Business combination** *(continued)*

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

### **Subsidiaries**

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

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

### **Property, plant and equipment**

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

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

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

Furniture, fixtures and equipment	20% to 33%
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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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Investment properties**

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

### **Intangible assets**

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

Cable use rights	14 years
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The estimated useful lives and amortisation rate are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### **Impairment of assets**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Trading merchandise goods

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

### Financial assets

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

#### (i) *Loans and receivables*

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

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

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

#### (iii) *Impairment*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial assets *(continued)*

#### *(iii) Impairment (continued)*

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

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

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

#### *(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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 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 convertible bonds – equity component under equity.

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

#### *(iii) Other financial liabilities*

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

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

#### *(iv) Effective interest method*

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

#### *(v) Derecognition of financial liabilities*

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

### Cash and cash equivalents

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

### Leases

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

#### *The Group as lessor*

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

#### *The Group as lessee*

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### **Provisions and contingent liabilities**

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

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

### **Taxation**

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Translation of foreign currencies**

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of reporting period. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange fluctuation reserve. Such translation differences, to the extent attributable to the owners of the Company, are recognised in profit or loss in the period when the foreign operations are disposed of.

### **Employees’ benefits**

#### *Short term benefits*

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

#### *Retirement benefit schemes*

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

#### *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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Employees' benefits *(continued)*

#### Share-based payments *(continued)*

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

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Related parties** *(continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### **Revenue recognition**

Revenue comprises the fair value for the sales of goods and rendering of services. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (i) Rental income is recognised in accordance with the Group's accounting policy for leases.
- (ii) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.
- (iii) Interest income is recognised on a time-proportion basis using the effective interest method.

### **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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### **Estimates and judgements**

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

### *Impairment of assets*

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

### *Deferred tax*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses as at 31 December 2011 was HK\$2,996,000 (2010: HK\$2,792,000). The amount of unrecognised tax losses as at 31 December 2011 was HK\$107,800,000 (2010: HK\$165,553,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 5. REVENUE AND SEGMENT REPORTING

An analysis of the turnover, which represents the Group's revenue from its principal activities for the year, is as follows:

	2011 HK\$'000	2010 HK\$'000
Continuing operations:		
Sales of goods	134,290	20,308
Rental income	5,100	4,896
	<b>139,390</b>	<b>25,204</b>
Discontinued operations:		
Rendering of services ( <i>Note 11</i> )	–	5,322

### (a) Reportable segments

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

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

- Property investment
- Trading
- Entertainment media (mobile entertainment business) (discontinued during the year ended 31 December 2010 – *Note 11*)
- Leisure and entertainment events (discontinued during the year ended 31 December 2010 – *Note 11*)
- Telecommunication (maintenance and support services for cable use right between Japan and Hawaii) (discontinued during the year ended 31 December 2010 – *Note 11*)

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 5. REVENUE AND SEGMENT REPORTING (continued)

### (a) Reportable segments (continued)

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measure of adjusted profit/(loss) before taxation. The adjusted profit/(loss) before taxation is measured consistently with the Group's profit/(loss) before taxation except that other revenue and gains or losses, allowance for doubtful debts on trade and other receivables, fair value gains on investment properties, loss on deregistration and dissolution of subsidiaries, net and finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Continuing operations						Discontinued operations								Consolidated	
	Property investment		Trading		Total		Entertainment media		Leisure and entertainment events		Telecommunication		Total			
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue from external customers	5,100	4,896	134,290	20,308	139,390	25,204	-	5,322	-	-	-	-	-	5,322	139,390	30,526
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reportable segment revenue	5,100	4,896	134,290	20,308	139,390	25,204	-	5,322	-	-	-	-	-	5,322	139,390	30,526
Reportable segment profit/(loss)	4,053	3,771	8,698	674	12,751	4,445	(938)	(7,556)	-	(418)	(3)	(1)	(941)	(7,975)	11,810	(3,530)
Depreciation and amortisation	-	-	-	-	-	-	-	504	-	34	-	-	-	538	-	538
Fair value gains on investment properties	14,400	2,000	-	-	14,400	2,000	-	-	-	-	-	-	-	-	14,400	2,000
Impairment loss on property, plant and equipment	-	-	-	-	-	-	-	583	-	-	-	-	-	583	-	583
Taxation	-	-	222	-	222	-	-	-	-	-	-	-	-	-	222	-
Allowance/(write-back of allowance) for doubtful debts on trade and other receivables	-	320	-	355	-	675	99	2,053	-	-	-	(14)	99	2,039	99	2,714
Reportable segment assets	134,152	119,268	45,341	19,492	179,493	138,760	743	675	-	-	-	4	743	679	180,236	139,439
Additions to non-current assets	-	-	-	-	-	-	-	677	-	-	-	-	-	677	-	677
Reportable segment liabilities	1,443	8,970	6,909	685	8,352	9,655	8,575	7,404	-	-	-	11	8,575	7,415	16,927	17,070

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 5. REVENUE AND SEGMENT REPORTING *(continued)*

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

	2011 HK\$'000	2010 HK\$'000
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	139,390	30,526
	2011 HK\$'000	2010 HK\$'000
<b>Profit/(loss) before taxation (include continuing and discontinued operations)</b>		
Reportable segment profit/(loss)	11,810	(3,530)
Segment loss from discontinued operations	941	7,975
Other revenue and net gains or losses	735	441
Unallocated corporate expenses	(19,862)	(20,169)
Allowance for doubtful debts on trade and other receivables	(99)	(2,714)
Fair value gains on investment properties	14,400	2,000
Loss on deregistration and dissolution of subsidiaries, net	(2,450)	(2)
Finance costs	(2,100)	(5,827)
Consolidated profit/(loss) before taxation from continuing operations	3,375	(21,826)

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 5. REVENUE AND SEGMENT REPORTING *(continued)*

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

	2011 HK\$'000	2010 HK\$'000 (Restated)
<b>Assets</b>		
Reportable segment assets	180,236	139,439
Unallocated bank balances and cash	163,767	245,950
Unallocated corporate assets	7,512	3,401
Consolidated total assets	<b>351,515</b>	<b>388,790</b>
<b>Liabilities</b>		
Reportable segment liabilities	16,927	17,070
Tax payable	330	108
Deferred tax liabilities	999	999
Unallocated corporate liabilities	1,250	79,059
Consolidated total liabilities	<b>19,506</b>	<b>97,236</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 5. REVENUE AND SEGMENT REPORTING *(continued)*

### (c) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong (place of domicile)	19,123	8,649	133,465	119,272
Mainland China	120,267	16,555	–	–
	139,390	25,204	133,465	119,272

The revenue information from continuing operations above is based on the location of customers.

### (d) Major customers

The Group's customer base is diversified and there were four (2010: two) customers with whom transactions have exceeded 10% of the Group's revenues.

During the current year, revenues from four customers in the trading segment amounted to approximately HK\$46,559,000, HK\$45,216,000, HK\$28,492,000 and HK\$14,023,000 respectively. During the year ended 31 December 2010, revenues from two customers in trading segment amounted to approximately HK\$16,555,000 and HK\$3,753,000 respectively.

## 6. OTHER REVENUE AND NET GAINS OR LOSSES

	2011 HK\$'000	2010 HK\$'000
<b>Continuing operations</b>		
Interest income	692	333
Others	43	103
	735	436

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 7. PROFIT/(LOSS) FOR THE YEAR

	2011 HK\$'000	2010 HK\$'000
<b>Continuing operations</b>		
This is arrived at after charging/(crediting):		
Cost of inventories sold	124,624	18,766
Loss on disposal of property, plant and equipment	20	87
Exchange differences, net	(264)	(536)
Auditor's remuneration	650	510
Depreciation of property, plant and equipment	451	475
Operating lease rentals in respect of rented premises	2,144	1,924
Staff costs:		
– Directors' remuneration ( <i>Note 9</i> )	2,157	1,802
– Other staff costs:		
Salaries, wages and other benefits	7,641	7,171
Retirement benefit scheme contributions	248	74
Total staff costs	10,046	9,047

Profit attributable to owners of the Company from continuing operations for the year ended 31 December 2011 was HK\$1,936,000 (2010: loss of HK\$29,033,000).

The consolidated profit/(loss) attributable to owners of the Company includes a loss of HK\$11,480,000 (2010: HK\$14,374,000) which has been dealt with in the financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 8. FINANCE COSTS

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000
Imputed interest on convertible bonds	21	970	4,333
Interests on borrowings wholly repayable within five years		1,130	1,494
		2,100	5,827
Attributable to continuing operations reported in the consolidated income statement		1,720	5,494
Attributable to discontinued operations	11	380	333
		2,100	5,827

The analysis shows the finance costs of bank borrowings in accordance with the agreed scheduled repayment dates set out in the loan agreements. All term loans which contain a repayment on demand clause in the loan agreements are classified as “wholly repayable within five years” in this analysis. For the years ended 31 December 2011 and 2010, the interest on bank borrowings which contain a repayment on demand clause amounted to HK\$1,130,000 and HK\$1,491,000 respectively.

## 9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

### Directors' remuneration

The directors' remuneration is analysed as follows:

	2011 HK\$'000	2010 HK\$'000
Fees:		
Independent non-executive directors	330	300
Other emoluments paid to executive directors:		
Salaries and other benefits	1,740	1,440
Retirement benefit scheme contributions	87	62
	1,827	1,502
	2,157	1,802

No directors waived any remuneration in respect of the years ended 31 December 2011 and 2010.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

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

### Directors' remuneration (continued)

	2011 HK\$'000	2010 HK\$'000
Zhou Jian		
– Salaries and other benefits	–	–
– Retirement benefit scheme contributions	–	–
	–	–
Fan Lei		
– Salaries and other benefits	1,740	1,200
– Retirement benefit scheme contributions	87	60
	1,827	1,260
Lo Ming Chi, Charles (Resigned on 1 March 2010)		
– Salaries and other benefits	–	240
– Retirement benefit scheme contributions	–	2
	–	242
Lau Cheong		
– Fee	110	100
Duan Xiongfei		
– Fee	110	100
Tam Tak Kei, Raymond		
– Fee	110	100

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

*(continued)*

### Five highest paid employees

The five highest paid individuals of the Group included one (2010: one) executive director of the Company, details of whose emoluments are set out above. The remuneration of the remaining four (2010: four) highest paid employees, other than directors of the Company, is as follows:

	2011 HK\$'000	2010 HK\$'000
Salaries and other benefits	3,798	4,567
Retirement benefit scheme contributions	104	99
	<b>3,902</b>	<b>4,666</b>

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

	2011	2010
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	2	3

## 10. TAXATION

	2011 HK\$'000	2010 HK\$'000 (Restated)
(a) Taxation charged/(credited) in the consolidated income statement represents:		
Current taxation – Hong Kong profits tax for the year	222	–
Current taxation – overseas over-provision in respect of prior years	–	(22)
Deferred taxation ( <i>Note 2(a)</i> )	–	(330)
	<b>222</b>	<b>(352)</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 10. TAXATION (continued)

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 had no assessable profits arising in Hong Kong for that year. Taxation for overseas subsidiaries has been calculated on the estimated assessable profits for the respective years at the appropriate current rates of taxation ruling in the countries in which the Company's subsidiaries operate.

Taxation for the years can be reconciled to accounting profit/(loss) as follows:

	2011 HK\$'000	2010 HK\$'000 (Restated)
Profit/(loss) before taxation (including continuing and discontinued operations)	1,956	(32,167)
Taxation calculated at Hong Kong profits tax rate of 16.5% (2010: 16.5%)	323	(5,308)
Tax effect of expenses not deductible for tax purposes	1,132	1,395
Tax effect of income not taxable for tax purposes	(2,532)	(504)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	–	(86)
Over-provision in respect of prior years	–	(22)
Tax effect on utilisation of previously unrecognised tax losses and other deductible temporary differences	(658)	(151)
Tax effect of unrecognised tax losses and temporary differences	1,957	4,324
Taxation for the year	222	(352)

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 10. TAXATION (continued)

### (b) Deferred taxation

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

#### Group

	Accelerated tax depreciation HK\$'000	Fair value- changes on investment properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2010, as previously reported	(3,557)	(3,038)	2,228	(4,367)
Effect of change in accounting policy (Note 2(a))	-	3,038	-	3,038
As at 1 January 2010, as restated	(3,557)	-	2,228	(1,329)
(Charge)/credit to profit or loss for the year (restated)	(234)	-	564	330
As at 31 December 2010, as restated	(3,791)	-	2,792	(999)
As at 1 January 2011, as previously reported	(3,791)	(3,368)	2,792	(4,367)
Effect of change in accounting policy (Note 2(a))	-	3,368	-	3,368
As at 1 January 2011, as restated	(3,791)	-	2,792	(999)
(Charge)/credit to profit or loss for the year	(204)	-	204	-
As at 31 December 2011	(3,995)	-	2,996	(999)

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 10. TAXATION (continued)

### (b) Deferred taxation (continued)

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

	Group		
	31 December 2011 HK\$'000	31 December 2010 HK\$'000 (Restated)	1 January 2010 HK\$'000 (Restated)
Deferred tax liabilities	(3,995)	(3,791)	(3,557)
Deferred tax assets	2,996	2,792	2,228
	<u>(999)</u>	<u>(999)</u>	<u>(1,329)</u>

At the end of reporting period, the Group had unused tax losses of HK\$125,958,000 (2010: HK\$182,476,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$18,158,000 (2010: HK\$16,923,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$107,800,000 (2010: HK\$165,553,000) due to the unpredictability of future profit streams. As at 31 December 2010, included in unrecognised tax losses were losses of HK\$17,997,000 that would be expired in twenty years from the respective dates of incurrence, which were released from the Group's unrecognised tax losses upon the deregistration and dissolution of subsidiaries (Note 26) during the year.

At the end of reporting period, the Group had no deductible temporary differences (2010: HK\$4,747,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 11. DISCONTINUED OPERATIONS

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

	2011 HK\$'000	2010 HK\$'000
Revenue ( <i>Note 5</i> )	–	5,322
Cost of services	–	(2,590)
Gross profit	–	2,732
Other revenue	–	5
Administrative expenses and other net operating expenses	(940)	(10,123)
Impairment loss on property, plant and equipment	–	(583)
Finance costs ( <i>Note 8</i> )	(380)	(333)
Allowance for doubtful debts on trade and other receivables	(99)	(2,039)
Loss before taxation	(1,419)	(10,341)
Taxation	–	–
Loss for the year from the Discontinued Operations	(1,419)	(10,341)
Operating cash inflow/(outflow)	208	(6,338)
Investing cash outflow	–	(678)
Financing cash inflow	–	1,094
Total cash inflow/(outflow)	208	(5,922)

Loss attributable to owners of the Company from discontinued operations for the year ended 31 December 2011 was HK\$1,217,000 (2010: HK\$7,559,000).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 12. PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share is based on the profit/(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 profit/(loss) per share is based on the following data:

### From continuing and discontinued operations

	Year ended 31 December	
	2011 HK\$'000	2010 HK\$'000 (Restated)
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic profit/(loss) per share	1,936	(29,033)
	Number of shares	
	2011	2010
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	9,616,064,889	8,781,380,823

### From continuing operations

	Year ended 31 December	
	2011 HK\$'000	2010 HK\$'000 (Restated)
Profit/(loss) for the year for the purpose of basic profit/(loss) per share from continuing operations	3,153	(21,474)

The denominators used are the same as those detailed above for calculating basic and diluted profit/(loss) per share for continuing and discontinued operations.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 12. PROFIT/(LOSS) PER SHARE *(continued)*

### **From discontinued operations**

Basic losses per share for the discontinued operations is HK cent 0.013 (2010: HK cent 0.086) per share, based on the loss for the year from the discontinued operations of HK\$1,217,000 (2010: HK\$7,559,000) attributable to owners of the Company and the denominators detailed above for both basic and diluted profit/(loss) per share of the continuing and discontinued operations.

As convertible bonds 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 of the discontinued operations. Therefore the basic and diluted losses per share for the discontinued operations in the respective years are equal.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 13. PROPERTY, PLANT AND EQUIPMENT

	<u>Group</u>	<u>Company</u>
	Furniture, fixtures and equipment HK\$'000	Furniture, fixtures and equipment HK\$'000
<i>Note</i>		
<b>COST</b>		
As at 1 January 2010	16,398	25
Additions	1,185	31
Disposals	(3,854)	–
Deregistration/dissolution of subsidiaries	26 (27)	–
Exchange fluctuation	5	–
	<hr/>	<hr/>
As at 31 December 2010 and 1 January 2011	13,707	56
Additions	264	–
Disposals	(826)	–
	<hr/>	<hr/>
As at 31 December 2011	<u>13,145</u>	<u>56</u>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>		
As at 1 January 2010	14,405	1
Depreciation charge for the year	1,013	7
Disposals	(3,545)	–
Deregistration/dissolution of subsidiaries	26 (26)	–
Impairment loss recognised	583	–
Exchange fluctuation	5	–
	<hr/>	<hr/>
As at 31 December 2010 and 1 January 2011	12,435	8
Depreciation charge for the year	451	12
Disposals	(806)	–
	<hr/>	<hr/>
As at 31 December 2011	<u>12,080</u>	<u>20</u>
<b>NET CARRYING AMOUNT</b>		
As at 31 December 2011	<u>1,065</u>	<u>36</u>
As at 31 December 2010	<u>1,272</u>	<u>48</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 14. INVESTMENT PROPERTIES

Group

	<u>HK\$'000</u>
<b>FAIR VALUE</b>	
As at 1 January 2010	116,000
Fair value gains	<u>2,000</u>
As at 31 December 2010 and 1 January 2011	118,000
Fair value gains	<u>14,400</u>
As at 31 December 2011	<u>132,400</u>

Investment properties were valued at 31 December 2011 by DTZ Debenham Tie Leung Limited, an independent firm of professionally qualified valuers, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued, on an open market value basis. This valuation gave rise to fair value gains of HK\$14,400,000 (2010: HK\$2,000,000).

The property rental income earned by the Group from its investment properties, most of which are leased out under operating leases, amounted to HK\$5,100,000 (2010: HK\$4,896,000). Direct operating expenses arising on the investment properties in the year amounted to HK\$873,000 (2010: HK\$1,007,000).

The Group's investment properties were located in Hong Kong, held under medium term leases, and pledged to secure banking facilities granted to the Group. During the year, the pledge of investment properties has been released (Note 29(i)).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 15. INTANGIBLE ASSETS

Group

	Cable use rights HK\$'000
<b>COST</b>	
As at 1 January 2010 and 31 December 2010	3,627
Dissolution of a subsidiary	(3,627)
As at 31 December 2011	–
<b>ACCUMULATED AMORTISATION</b>	
As at 1 January 2010 and 31 December 2010	3,627
Dissolution of a subsidiary	(3,627)
As at 31 December 2011	–
<b>NET CARRYING AMOUNT</b>	
As at 31 December 2011	–
As at 31 December 2010	–

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

## 16. TRADING MERCHANDISE GOODS

Group

	2011 HK\$'000	2010 HK\$'000
Goods in transit	1,059	–

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 17. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade receivables, net of allowance	27,701	4,987	–	–
Other receivables and prepayments, net of allowance	6,948	3,464	5,814	1,527
	<b>34,649</b>	<b>8,451</b>	<b>5,814</b>	<b>1,527</b>

- (i) The directors consider that the carrying amounts of trade receivables, other receivables and prepayments approximate their fair values as at 31 December 2010 and 2011.

No interest is charged on trade and other receivables.

- (ii) The Group normally allows an average credit period of 30 to 90 days to trade customers. The ageing analysis of the Group's trade receivables, net of allowance for doubtful debts, based on the due date as of the end of reporting period is as follows:

	2011 HK\$'000	2010 HK\$'000
Current	3,910	4,891
1 to 30 days	2,184	40
31 to 60 days	3,399	20
61 to 90 days	4,087	19
Over 90 days	14,121	17
	<b>27,701</b>	<b>4,987</b>

As at 31 December 2011, the Group's trade receivables of HK\$1,767,000 (2010: HK\$3,751,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or had prolonged delay in settlement, and management assessed that any amount of the impaired receivables is expected to be irrecoverable. Consequently, an accumulated specific allowance for doubtful debts of HK\$1,767,000 (2010: HK\$3,751,000) 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 sales of goods and provision of services.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

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

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

	Group	
	2011 HK\$'000	2010 HK\$'000
As at 1 January	3,751	2,034
Allowance for doubtful debts, net	15	1,701
Bad debts written off	(1,998)	–
Exchange fluctuation	(1)	16
As at 31 December	1,767	3,751

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

	Group	
	2011 HK\$'000	2010 HK\$'000
As at 1 January	1,101	88
Allowance for doubtful debts, net	84	1,013
Bad debts written off	(355)	–
As at 31 December	830	1,101

As at 31 December 2011, the Group's other receivables of HK\$830,000 (2010: HK\$1,101,000) were individually determined to be impaired. The individually impaired receivables that had prolonged delay in settlement, and management assessed that any amount of the impaired receivables is expected to be irrecoverable. Consequently, an accumulated specific allowance for doubtful debts of HK\$830,000 (2010: HK\$1,101,000) was made. The Group does not hold any collateral over these balances.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 17. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

*(continued)*

- (v) The ageing analysis of trade and other receivables which are past due but not impaired are as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
Less than 1 month past due	2,184	40
1 to 3 months past due	7,486	39
More than 3 months past due	14,121	17
As at 31 December	23,791	96

Receivables that were past due but not impaired relate to a wide range of debtors for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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. The Group does not hold any collateral over these balances.

## 18. BANK BALANCES AND CASH

As at 31 December 2011, included in the bank balances and cash of the Group was an amount of HK\$50,000 (2010: HK\$16,000) 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade payables	9,180	1,722	–	–
Other payables and accruals	4,143	4,389	887	559
	<b>13,323</b>	<b>6,111</b>	<b>887</b>	<b>559</b>

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 2010 and 2011.

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

	2011 HK\$'000	2010 HK\$'000
1 to 30 days	4,771	151
31 to 60 days	1,896	126
61 to 90 days	93	129
Over 90 days	2,420	1,316
	<b>9,180</b>	<b>1,722</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 20. BANK AND OTHER BORROWINGS

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

	Group	
	2011 HK\$'000	2010 HK\$'000
<b>Current liabilities</b>		
<i>Bank loans – secured:</i>		
Portion of term loans due for repayment within one year	4,854	7,432
Portion of term loans due for repayment after one year which contain a repayment on demand clause	–	47,398
	<b>4,854</b>	<b>54,830</b>
	Company	
	2011 HK\$'000	2010 HK\$'000
<b>Current liabilities</b>		
<i>Bank loans – secured:</i>		
Portion of term loans due for repayment within one year	–	2,071
Portion of term loans due for repayment after one year which contain a repayment on demand clause	–	40,411
	<b>–</b>	<b>42,482</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 20. BANK AND OTHER BORROWINGS (continued)

The borrowings were due for repayment as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>Bank loans – secured:</b>				
On demand or within one year	4,854	7,432	–	2,071
After one year but within two years	–	2,757	–	2,236
In the second to fifth years inclusive	–	8,529	–	6,874
Over five years	–	36,112	–	31,301
	<b>4,854</b>	<b>54,830</b>	<b>–</b>	<b>42,482</b>

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

The Group's bank loans consisted of:

- (i) As at 31 December 2010, bank loans which are secured by investment properties of the Group located in Hong Kong (*Note 14*) and cross guarantees given by the Company and certain subsidiaries of the Company. During the year, the Group early repaid the aforesaid bank loans.
- (ii) As at 31 December 2010 and 2011, a bank loan granted to a subsidiary of the Company (the "Subsidiary") under the Special Loan Guarantee Scheme (the "SME loan") of the Hong Kong Special Administrative Region Government (the "Government") to the extent of HK\$6 million. It represented a 5-year instalment loan which is 80% guaranteed by the Government and a corporate guarantee was provided to the bank by the Subsidiary's immediate holding company which is also an indirect wholly-owned subsidiary of the Company. As the loan agreement contains a repayment on demand clause, the entire outstanding SME loan as at 31 December 2010 and 2011 was classified under the current liabilities of the Group in these financial statements.

According to the Company's announcement dated 20 December 2010, the Group decided not to continue to finance its entertainment media business, and the Subsidiary, as one of the group companies engaged in the entertainment media business, ceased its operation before 31 December 2010, and has stopped the instalment repayment of the SME loan which was due on 26 December 2010. The aforesaid bank had issued a demand letter to the Subsidiary and stated that it might take any legal action against the Subsidiary in respect of the repayment of the SME loan.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 20. BANK AND OTHER BORROWINGS *(continued)*

### (ii) *(continued)*

During the current year, the Subsidiary and its immediate holding company further received a writ of summon from the Court of First Instance and the statement of claim from the legal representative of the plaintiff claiming for (i) outstanding principal amount and related overdue interest and (ii) cost of legal action in respect of the claim on a full indemnity basis to be taxed if not agreed and further or other relief (collectively the “Claim”). As at 31 December 2011, the carrying amount of the SME loan and the related accrued interest payable was HK\$4,854,000 and HK\$408,000 respectively. The related accrued interest payable was included in the Group’s trade payables, other payables and accruals, which was calculated in accordance with the loan agreement of the SME loan and the Claim. In the opinion of the directors, the related cost of legal action and further or other relief in connection with the Claim cannot be measured reliably and hence no provision has been made as at 31 December 2011.

Up to the date of approval of these financial statements, the SME loan and the related accrued interest payable have not been settled nor has any negotiation been made with the bank. There was no corporate guarantee issued by the Company in favour of the Subsidiary and the directors of the Company are of the opinion that adequate provisions and disclosures have been made in these financial statements, and the above matter in the non-repayment of the SME loan and the related accrued interest payable has no further material adverse financial impact to the Company or the Group.

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

Save as disclosed in (ii) above, the Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements, and none of the covenants relating to drawn down facilities had been breached as at 31 December 2010 and 2011. Further details of the Group’s management of liquidity risk are set out in Note 34(b).

As at 31 December 2010 and 2011, 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 2.13% to 6.25% (2010: 2.07% to 6.25%) per annum.

The directors of the Company consider that the carrying amounts of the Group’s and the Company’s bank and other borrowings approximate their fair values as at 31 December 2010 and 2011.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 20. BANK AND OTHER BORROWINGS *(continued)*

As at 1 January 2010, there was other loan of HK\$50,000 which was unsecured, interest-bearing at prime rate quoted by a bank in Hong Kong plus 5.5% per annum and was repayable within 18 months from the respective drawdown date of the loan agreement. During the prior year, the other loan was fully settled.

## 21. CONVERTIBLE BONDS

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

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

The maturity date of the Convertible Bonds was the second anniversary from the date of issue of an aggregate principal amount of HK\$30,000,000 of the Subscription Bonds that were committed by Wise Sun to subscribe under the subscription agreement (i.e. maturity on 4 September 2011). The Convertible 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 Convertible Bonds would result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company, the embedded conversion option is therefore accounted for as an equity instrument. The aggregate principal amount of HK\$320,000,000 from the issue of the Convertible Bonds has been split into liability and equity components. On the issue of the Convertible Bonds, the fair value of the liability component and the residual value of equity component were determined at approximately HK\$256,491,000 and HK\$63,509,000, respectively, based on the valuation by BMI Appraisal Limited, an independent firm of professionally qualified valuers. Upon issuance, the liability component is carried as a non-current liability on the amortised cost basis until extinguished or conversion. The carrying amount of the conversion option credited to equity is not re-measured in subsequent periods.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 21. CONVERTIBLE BONDS (continued)

During the year ended 31 December 2009, the Convertible Bonds in the principal amounts of HK\$85,000,000 and HK\$192,000,000 were converted into shares of the Company in October and November 2009 respectively. The conversions gave rise to the issue of 6,925,000,000 shares of the Company and reduction in carrying value of liability component and equity component by HK\$221,804,000 and HK\$54,076,000 respectively.

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

During the year, the Convertible Bonds in the remaining principal amounts of HK\$38,000,000 were fully converted into shares of the Company. The conversion gave rise to the issue of 950,000,000 shares (Note 22) of the Company and reduction in carrying value of liability component and equity component by HK\$36,115,000 and HK\$7,531,000 respectively.

The movements of the liability component and equity component of the Convertible Bonds during the years ended 31 December 2010 and 2011 are as follows:

### Group and Company

	Liability component of convertible bonds HK\$'000	Equity component of convertible bonds HK\$'000	Total HK\$'000
As at 1 January 2010, with liability component classified under non-current liabilities	35,596	8,522	44,118
Issue of shares upon conversion of the Convertible Bonds (Note 22)	(4,530)	(991)	(5,521)
Effective interest expense recognised (Note 8)	4,333	–	4,333
Interest paid	(211)	–	(211)
As at 31 December 2010, with liability component classified under current liabilities	35,188	7,531	42,719
Issue of shares upon conversion of the Convertible Bonds (Note 22)	(36,115)	(7,531)	(43,646)
Effective interest expense recognised (Note 8)	970	–	970
Interest paid	(43)	–	(43)
As at 31 December 2011	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 21. CONVERTIBLE BONDS *(continued)*

Effective interests on the Convertible Bonds for the years ended 31 December 2010 and 2011 are calculated using the effective interest method by applying the average effective interest rate of 11.80% per annum.

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

## 22. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2011	2010	2011 HK\$'000	2010 HK\$'000
Authorised ordinary shares:				
As at 1 January 2010, 31 December 2010 and 31 December 2011 of HK\$0.01 each	75,000,000,000	75,000,000,000	750,000	750,000
Issued and fully paid ordinary shares:				
As at 1 January of HK\$0.01 each	8,882,685,768	8,757,685,768	88,827	87,577
Issue of shares upon conversion of convertible bonds <i>(Note)</i>	950,000,000	125,000,000	9,500	1,250
As at 31 December of HK\$0.01 each	9,832,685,768	8,882,685,768	98,327	88,827

*Note:*

During the year, 950,000,000 (2010: 125,000,000) new ordinary shares (Note 21) of par value HK\$0.01 each were issued at a conversion price of HK\$0.04 (2010: HK\$0.04) each on exercise of the Convertible Bonds, resulting in release of liability and equity components of the Convertible Bonds by an aggregate amount of HK\$43,646,000 (2010: HK\$5,521,000) of which HK\$9,500,000 (2010: HK\$1,250,000) was credited to share capital and the remaining balance of HK\$34,146,000 (2010: HK\$4,271,000) was credited to the share premium account.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 23. RESERVES

### Company

		Share premium HK\$'000 <i>(Note (i))</i>	Convertible bonds – equity component HK\$'000 <i>(Note (ii))</i>	Contributed surplus HK\$'000 <i>(Note (iv))</i>	Accumulated losses HK\$'000	Total HK\$'000
	<i>Notes</i>					
As at 1 January 2010		206,630	8,522	49,510	(39,285)	225,377
Issue of shares upon conversion of convertible bonds	21&22	4,271	(991)	-	-	3,280
Loss and total comprehensive income for the year		-	-	-	(29,594)	(29,594)
As at 31 December 2010		210,901	7,531	49,510	(68,879)	199,063
Issue of shares upon conversion of convertible bonds	21&22	34,146	(7,531)	-	-	26,615
Loss and total comprehensive income for the year		-	-	-	(19,890)	(19,890)
As at 31 December 2011		245,047	-	49,510	(88,769)	205,788

#### Notes:

(i) **Share premium**

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

(ii) **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.

(iii) **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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 23. RESERVES *(continued)*

*Notes (continued):*

### (iv) **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 year ended 31 December 2009.

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.

### (v) **Exchange fluctuation reserve**

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

No dividend was paid or proposed during 2011, nor has any dividend been proposed since the end of reporting period (2010: HK\$Nil).

## 24. SHARE-BASED PAYMENT TRANSACTIONS

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

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

The Company adopted a share option scheme on 16 May 2002, to adopt the changes in the Chapter 17 of the Listing Rules, under which the Company may grant options to any executive or non-executive directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards.

As at 31 December 2010 and 2011, no share option has been granted.

### (ii) **Options granted under general mandate**

No option was granted under general mandate during the year (2010: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 25. INTERESTS IN SUBSIDIARIES

### Company

	2011 HK\$'000	2010 HK\$'000
Unlisted shares, at cost	11,736	11,736
Loans to subsidiaries	103,667	146,185
Amounts due from subsidiaries	746,268	769,275
	861,671	927,196
Less: allowance for loans to/amounts due from subsidiaries	(709,396)	(728,420)
	152,275	198,776

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 designated bank in Hong Kong minus 1.5% to plus 1.5% per annum (2010: prime rate minus 1.5% to plus 1.5% per annum).

Accumulated allowances for loans to subsidiaries and amounts due from subsidiaries of HK\$709,396,000 (2010: HK\$728,420,000) were recognised as at 31 December 2011 because their recoverable amounts were estimated to be less than their respective carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 25. INTERESTS IN SUBSIDIARIES (continued)

The following list contains only the particulars of the principal subsidiaries at 31 December 2011 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Company	Country or place of incorporation/operation	Issued share capital	Effective equity interest attributable to the Company		Nature of business
			Direct	Indirect	
City Trend International Limited #	British Virgin Islands	US\$1	100%	–	Investment holding
Cornwick Investments Limited	Hong Kong	HK\$2	–	100%	Holding investment properties in Hong Kong
S.I. Corporate Services Limited *	Hong Kong	HK\$100	–	100%	Provision of corporate services/ Investment holding
S.I. Entertainment Investment (801) Limited	British Virgin Islands	US\$1	100%	–	Investment holding
S.I. Travel Group Limited	British Virgin Islands/Hong Kong	US\$1	100%	–	Trading
Sai Chak Company Limited	Hong Kong	HK\$100,000	–	100%	Holding investment properties in Hong Kong
Sino Front Investments Limited	Hong Kong	HK\$1	–	100%	Securities investment and investment holding
Sun Innovation HK Properties Holdings Limited	British Virgin Islands	US\$1	–	100%	Investment holding

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 25. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2011 are as follows (continued):

Company	Country or place of incorporation/ operation	Issued share capital	Effective equity interest attributable to the Company		Nature of business
			Direct	Indirect	
Sun Innovation Management Services Limited	Hong Kong	HK\$2	100%	–	Provision of management services
Sun Innovation Properties Holdings Limited	British Virgin Islands	US\$2	100%	–	Investment holding
Sun Innovation Resources Limited	Hong Kong	HK\$2	–	100%	Provision of management services
Wide Profit Enterprises Limited	British Virgin Islands	US\$100	–	100%	Investment holding
Well Venture Holdings Limited #	Hong Kong	HK\$1	–	100%	Securities investment and investment holding

Notes:

# The subsidiaries have been newly incorporated during the year.

\* S.I. Corporate Services Limited changed its name to "Sun Innovation Development Limited" on 17 January 2012 and then changed its name to "Ever Union Medical Services Limited" on 9 February 2012. On 16 February 2012, its name was further changed to "Ever Union Services Development Limited". The business activity of this subsidiary has been changed to investment holding.

All the above are limited liability companies.

Certain subsidiaries of the Group were deregistered/dissolved during the prior and current years, details of which are set out in Note 26.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 26. DEREGISTRATION AND DISSOLUTION OF SUBSIDIARIES

During the current year, Drive USA Inc., Circle Telecom USA, LLC, Sky Telemedia (China) Limited, S.I. TV Shopping (BVI) Limited, Katharsis Trading Limited and 廣州市泓亮商務有限公司, which were the then subsidiaries of the Company, were deregistered/dissolved.

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

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

	<i>Note</i>	2011 HK\$'000	2010 HK\$'000
Property, plant and equipment	13	–	1
Trade receivables, other receivables and prepayments		158	1
Trade payables, other payables and accruals		(738)	–
Net identifiable assets and liabilities		(580)	2
Reclassification adjustment of exchange fluctuation reserve		2,987	–
Direct costs incurred on deregistration and dissolution		43	–
Loss on deregistration and dissolution of subsidiaries, net		(2,450)	(2)
		–	–
Net cash flow arising on deregistration and dissolution:			
Bank balances and cash disposed of		–	–

The subsidiaries deregistered/dissolved during the year ended 31 December 2011 and 2010 did not have any contribution to the Group's revenue and contributed a net loss of approximately HK\$68,000 (2010: HK\$423,000) to the Group's operating results.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 27. RETIREMENT BENEFIT SCHEME

The Group contributes to defined contribution provident funds, including the scheme set up pursuant to the Hong Kong Mandatory Provident Fund Ordinance (the “MPF Scheme”), which are available to all Hong Kong employees. For the MPF Scheme, both the employees and the employer are required to contribute 5% of the employees’ monthly salaries up to a maximum of HK\$1,000 (the “Mandatory Contribution”). The employees are entitled to 100% of the employer’s Mandatory Contributions upon their retirement age of 65 years old, death or total incapacity. The unvested benefits of employees forfeited upon termination of employment can be utilised by the Group to reduce future levels of contributions. During the year, the aggregate amount of employer’s contribution net of forfeited contribution made by the Group was HK\$73,000 (2010: HK\$127,000).

## 28. OPERATING LEASE COMMITMENTS

- (i) As at 31 December 2011, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group			
	Land and buildings		Equipment	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Not later than one year	2,662	2,625	–	6
Later than one year and not later than five years	235	2,897	–	–
	<b>2,897</b>	<b>5,522</b>	<b>–</b>	<b>6</b>

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

- (ii) As at 31 December 2011, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Investment properties	
	2011 HK\$'000	2010 HK\$'000
Not later than one year	3,019	4,628
Later than one year and not later than five years	1,380	4,388
	<b>4,399</b>	<b>9,016</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 29. CREDIT FACILITIES, PLEDGE OF ASSETS AND GUARANTEES

As at 31 December 2011, the Group had aggregate banking facilities of HK\$4,854,000 (2010: HK\$54,830,000) from banks for guarantees and loans. The banking facilities are secured by:

- (i) Pledge of all investment properties of the Group as at 31 December 2010, which has been released during the year (Note 14).
- (ii) Cross guarantees totalling HK\$55,000,000 (2010: HK\$55,000,000) given by the Company and certain of its subsidiaries in respect of a shared banking facility of the Company and these subsidiaries.

Under the guarantee, the Company and certain subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. The bank loans have been early repaid in August 2011. The relevant guarantee will be released after seven months from the date of repayment.

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

## 30. CAPITAL COMMITMENTS

The Group and the Company did not have any significant capital commitment as at 31 December 2010 and 2011.

## 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.

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

- (i) The Company incurred interest expense for the Subscription Bonds issued to Wise Sun of HK\$3,919,000 in the prior year.
- (ii) Members of key management personnel during the year comprised only of the executive directors whose remuneration is set out in Note 9.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 32. MAJOR EVENT

On 3 April 2011, the Company executed an agreement (the “Framework Agreement”) with Guangxi Non-ferrous Metals Group Company Limited and Guangxi Sincerity Investments & Trading Company Limited (collectively the “Guangxi Parties”) in respect of possible acquisitions of equity interests in target companies which hold mines in South Africa and Cambodia (the “Possible Acquisitions”). Pursuant to the Framework Agreement, the parties agreed to use reasonable endeavours to complete their respective further due diligence in respect of the transactions contemplated under the Possible Acquisitions on an exclusive basis within one year of the date of the Framework Agreement. Subject to such due diligence, the parties may enter into a legally binding sale and purchase agreement (the “Formal Agreement”). If the Formal Agreement is entered into within one year of the date of the Framework Agreement, it is expected to contain certain principal terms set out in the Framework Agreement, including the purchase by the Company from the Guangxi Parties of the equity interests in the target companies for an aggregate consideration to be satisfied as to HK\$200,000,000 in cash and as to the remaining balance by the allotment and issue of 12,143,570,000 consideration shares in aggregate.

Subject to the entering into of the Formal Agreement, the transactions as currently contemplated under the Framework Agreement may constitute a reverse takeover for the Company under Rule 14.06(6)(b) of the Listing Rules, on the basis that such transactions may constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and may at the same time involve an acquisition of assets from the Guangxi Parties within 24 months of the Guangxi Parties and parties acting in concert with any of them gaining control (as defined under the Hong Kong Code on Takeovers and Mergers) of the Company. Accordingly, under Rule 14.54 of the Listing Rules, the Company may be treated as if it were a new listing applicant.

As at 31 December 2011 and as of the date of approval of these financial statements, due diligence review being carried out by the Company and its advisors on the target companies is still ongoing and no formal agreement has been entered into in respect of the Possible Acquisitions. Further details are set out in the Company’s announcements dated 11 April 2011, 11 May 2011, 10 June 2011, 11 July 2011, 11 August 2011, 9 September 2011, 10 October 2011, 10 November 2011, 9 December 2011, 9 January 2012 and 8 February 2012.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Notes 20 and 21, bank balances and cash disclosed in Note 18 and equity attributable to owners of the Company, comprising share capital and reserves disclosed in Note 23 and the consolidated statement of changes in equity.

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.

The Group has a target gearing ratio of below 10% determined as the proportion of net debt to equity. The gearing ratio at the end of reporting period was as follows:

	2011 HK\$'000	2010 HK\$'000
Debts	4,854	90,018
Bank balances and cash	(182,342)	(261,067)
Net debt	(177,488)	(171,049)
Equity	332,009	291,554
Net debt to equity ratio	N/A	N/A

## 34. FINANCIAL RISK MANAGEMENT

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

### (a) Credit risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 34. FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Credit risk *(continued)*

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the individual customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due within 30 days to 90 days from the date of billing. Debtors with balances that are more than 2 months past due are normally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

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

As at 31 December 2011, the Group has a concentration of credit risk as 58% and 97% (2010: 43% and 81%) respectively of the total gross trade receivables were due from the Group's largest customer and the five largest customers respectively.

The credit risk of the Group's financial assets, which comprise gross trade receivables, other receivables and bank balances and cash, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note 34(b) to the financial statements.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 17.

### (b) Liquidity risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 34. FINANCIAL RISK MANAGEMENT *(continued)*

### (b) Liquidity risk *(continued)*

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

Group	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
<b>2011</b>			
Bank loans – term loans subject to a repayment on demand clause	4,854	4,854	4,854
Trade payables, other payables and accruals	12,864	12,864	12,864
	<b>17,718</b>	<b>17,718</b>	<b>17,718</b>
<b>2010</b>			
Bank loans – repayable within one year	7,432	7,782	7,782
Bank loans – repayable after one year which contain a repayment on demand clause	47,398	47,398	47,398
Convertible bonds	35,188	38,372	38,372
Trade payables, other payables and accruals	5,565	5,565	5,565
	<b>95,583</b>	<b>99,117</b>	<b>99,117</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 34. FINANCIAL RISK MANAGEMENT (continued)

### (b) Liquidity risk (continued)

Company	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
<b>2011</b>			
Other payables and accruals	841	841	841
Financial guarantee issued			
Maximum amount guaranteed	–	–	–
<b>2010</b>			
Bank loans – repayable within one year	2,071	2,117	2,117
Bank loans – repayable after one year which contain a repayment on demand clause	40,411	40,411	40,411
Convertible bonds	35,188	38,372	38,372
Other payables and accruals	537	537	537
	78,207	81,437	81,437
Financial guarantee issued			
Maximum amount guaranteed	–	–	7,494

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 34. FINANCIAL RISK MANAGEMENT (continued)

### (b) Liquidity risk (continued)

Group	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
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#### 2011

Bank loans – term loans subject to a repayment on demand clause based on scheduled repayments	5,893	5,893	–	–	–
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#### 2010

Bank loans – term loans subject to a repayment on demand clause based on scheduled repayments	64,985	9,241	3,849	11,395	40,500
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Company	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
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#### 2011

Bank loans – term loans subject to a repayment on demand clause based on scheduled repayments	–	–	–	–	–
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#### 2010

Bank loans – term loans subject to a repayment on demand clause based on scheduled repayments	50,557	3,017	3,136	9,255	35,149
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# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 34. FINANCIAL RISK MANAGEMENT (continued)

### (c) Interest rate risk

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

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

	Group			
	2011		2010	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
<b>Fixed-rate borrowings</b>				
Convertible bonds	–	–	11.80	35,188
<b>Variable-rate borrowings</b>				
Bank loans	6.25	4,854	2.07 – 6.25	54,830
Total borrowings		4,854		90,018
Fixed-rate borrowings as a percentage of total borrowings		N/A		39%

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 34. FINANCIAL RISK MANAGEMENT *(continued)*

### (c) Interest rate risk *(continued)*

	Company			
	2011		2010	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
<b>Fixed-rate borrowings</b>				
Convertible bonds	–	–	11.80	35,188
<b>Variable-rate borrowings</b>				
Bank loans	–	–	2.07 – 2.34	42,482
<b>Total borrowings</b>		–		77,670
Fixed-rate borrowings as a percentage of total borrowings		N/A		45.3%

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

#### *Sensitivity analysis*

As at 31 December 2011, it is estimated that a general decrease/increase of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation and decrease/increase the accumulated losses by HK\$1,775,000 (2010: decrease/increase in the Group's loss for the year and accumulated losses by HK\$1,612,000). Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2010.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 34. FINANCIAL RISK MANAGEMENT *(continued)*

(d) **Currency risk**

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

(e) **Price risk**

As at the end of reporting period, the Group is not exposed to any equity price risk or commodity price risk.

(f) **Fair values**

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010.

## 35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised as at 31 December 2010 and 2011 may be categorised as follows:

	2011 HK\$'000	2010 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including bank balances and cash), at amortised cost	210,966	267,048
<b>Financial liabilities</b>		
Financial liabilities, at amortised cost	17,718	95,583

## 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 and restated as appropriate are summarised below:

	Year ended 31 December													
	2011			2010			2009			2008		2007		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operation	Total	Total	Continuing operations	Discontinued operation	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Results														
Revenue	139,390	-	139,390	25,204	5,322	30,526	6,024	11,752	17,776	39,051	40,155	4,909	45,064	
Profit/(loss) attributable to owners of the Company	3,153	(1,217)	1,936	(21,474)	(7,559)	(29,033)	(55,734)	(6,529)	(62,263)	(111,268)	(50,793)	(14,087)	(64,880)	
Assets and Liabilities														
Total assets	350,772	743	351,515	388,111	679	388,790	410,136	10,340	420,476	173,072	196,001	1,645	197,646	
Total liabilities	(10,931)	(8,575)	(19,506)	(89,821)	(7,415)	(97,236)	(92,319)	(8,791)	(101,110)	(122,020)	(35,297)	(1,363)	(36,660)	
	339,841	(7,832)	332,009	298,290	(6,736)	291,554	317,817	1,549	319,366	51,052	160,704	282	160,986	
Non-controlling interest	-	1,798	1,798	-	1,596	1,596	-	(1,186)	(1,186)	(1,951)	(2,043)	-	(2,043)	
Equity attributable to owners of the Company	339,841	(6,034)	333,807	298,290	(5,140)	293,150	317,817	363	318,180	49,101	158,661	282	158,943	

### Notes :

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

During the year ended 31 December 2010, the Group ceased its entertainment media business, telecommunication business and leisure and entertainment events business.

\* The restatements arise from the early adoption of Hong Kong Accounting Standard 12 "Income Taxes" which has been accounted for retrospectively.

## 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, U2, U3, U9 and U10, 1st Floor and Car Parking Space Nos. 22, 23, 33, 50 and 50A, 2nd Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	Commercial	Medium