

Sun Innovation Holdings Limited
Interim Report 2009



Incorporated in Bermuda with limited liability

Stock Code: 547

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The Board of Directors of Sun Innovation Holdings Limited (the "Company") presents the unaudited interim financial report of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2009 (the "Review Period") together with the comparative figures for the corresponding period in 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Notes	Six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000
Turnover	2	10,888	14,866
Cost of sales and services		(3,958)	(6,389)
Gross profit		6,930	8,477
Other income and gains		489	1,449
Selling and distribution expenses		(204)	(18)
Administrative expenses and other net operating expenses		(26,008)	(38,722)
Finance costs	4	(6,063)	(1,905)
Net loss on disposal of subsidiaries		(11,363)	–
Fair value loss on derivative component of convertible bond	10	(5,517)	–
Loss before taxation	3	(41,736)	(30,719)
Taxation	5	(119)	326
Loss for the period		(41,855)	(30,393)
Attributable to:			
Equity holders of the Company		(41,705)	(30,420)
Minority interests		(150)	27
		(41,855)	(30,393)
Loss per share for loss attributable to the equity holders of the Company:	6		
– Basic		HK\$0.03	HK\$0.02
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Loss for the period	(41,855)	(30,393)
Other comprehensive income		
Currency translation differences	643	190
Other comprehensive income for the period, net of tax	643	190
Total comprehensive income for the period	(41,212)	(30,203)
Total comprehensive income attributable to:		
Equity holders of the Company	(41,062)	(30,230)
Minority interests	(150)	27
	(41,212)	(30,203)

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2009

		Unaudited	Audited
		30 June	31 December
		2009	2008
Notes		HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
		3,041	3,609
		116,000	140,820
		196	392
	7	119,237	144,821
Current assets			
		–	69
		14,303	19,182
	8	5,002	9,000
		19,305	28,251
Current liabilities			
	9	19,406	30,763
		18,591	48,763
	12(ii)(a)	43,684	–
	10	5,897	–
		6,358	–
		–	521
		93,936	80,047
		(74,631)	(51,796)
		44,606	93,025

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

AS AT 30 JUNE 2009

		Unaudited	Audited
		30 June	31 December
		2009	2008
	Notes	HK\$'000	HK\$'000
Non-current liabilities			
Bank and other borrowings		34,424	34,980
Derivative financial instrument	10	–	380
Convertible bond		–	5,284
Deferred tax liabilities		4,366	5,369
		38,790	46,013
Net assets		5,816	47,012
EQUITY			
Share capital	11	147,011	147,004
Reserves		(142,996)	(101,943)
Equity attributable to equity holders of the Company		4,015	45,061
Minority interests		1,801	1,951
Total equity		5,816	47,012

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Attributable to equity holders of the Company										
	Share capital	Share premium	Warrants reserve	Convertible bonds-equity component	Land and buildings revaluation reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	147,004	50,008	2,191	2,627	7,355	7,933	(982)	(65,328)	150,808	2,043	152,851
Changes in equity for the six months ended 30 June 2008											
Release upon lapse of share options	-	-	-	-	-	(3,920)	-	3,920	-	-	-
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	121	121
Total comprehensive income for the period	-	-	-	-	-	-	190	(30,420)	(30,230)	27	(30,203)
At 30 June 2008 and 1 July 2008	147,004	50,008	2,191	2,627	7,355	4,013	(792)	(91,828)	120,578	2,191	122,769
Changes in equity for the six months ended 31 December 2008											
Deemed acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	(121)	(121)
Redemption of convertible bond	-	-	-	(2,268)	-	-	-	2,268	-	-	-
Renewal of convertible bond	-	-	-	(359)	-	-	-	359	-	-	-
Release upon lapse and surrender of share options	-	-	-	-	-	(526)	-	526	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	1,180	(76,697)	(75,517)	(119)	(75,636)
At 31 December 2008	147,004	50,008	2,191	-	7,355	3,487	388	(165,372)	45,061	1,951	47,012
At 1 January 2009	147,004	50,008	2,191	-	7,355	3,487	388	(165,372)	45,061	1,951	47,012
Changes in equity for the six months ended 30 June 2009											
Release upon lapse of share options	-	-	-	-	-	(50)	-	50	-	-	-
Issue of shares on exercise of warrants	7	16	(7)	-	-	-	-	-	16	-	16
Release upon lapse of warrants	-	-	(2,184)	-	-	-	-	2,184	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	643	(41,705)	(41,062)	(150)	(41,212)
At 30 June 2009	147,011	50,024	-	-	7,355	3,437	1,031	(204,843)	4,015	1,801	5,816

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Net cash used in operating activities	(28,688)	(32,506)
Net cash generated from/(used in) investing activities	11,490	(972)
Net cash generated from financing activities	13,199	29,197
Decrease in cash and cash equivalents	(3,999)	(4,281)
Cash and cash equivalents at 1 January	9,000	13,868
Effect of foreign exchange rate changes	1	21
Cash and cash equivalents at 30 June	5,002	9,608
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	5,002	9,608

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements of Sun Innovation Holdings Limited and its subsidiaries (together the "Group") as at and for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 – "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are at fair values, as appropriate.

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements as at and for the year ended 31 December 2008.

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- HKFRS 8, Operating segments
- HKAS 1 (Revised), Presentation of financial statements
- HKAS 23 (Revised), Borrowing costs
- Amendments to HKAS 27, Consolidated and separate financial statements – Cost of an investment in a subsidiary, jointly controlled entity or associate
- Improvements to HKFRSs (2008)

1. Basis of preparation and accounting policies *(Continued)*

The Group has not early adopted the following new or amended HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

		Effective date
HKAS 27 (Revised)	Consolidated and separate financial statements	(i)
HKAS 38 (Amendment)	Intangible assets	(i)
HKAS 39 (Amendment)	Eligible hedge items	(i)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(i)
HKFRS 2 (Amendment)	Share-based payments	(i)
HKFRS 3 (Revised)	Business combinations	(i)
HK(IFRIC) – Int 16 (Amendment)	Hedges of a net investment in foreign operation	(i)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(i)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(ii)
HK(IFRIC) – Int 18	Transfers of assets from customers	(iii)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKFRS 5	(i)
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	(iv)
HKFRS 8 (Amendment)	Operating segments	(iv)
HKAS 1 (Amendment)	Presentation of financial statements	(iv)
HKAS 7 (Amendment)	Statement of cash flows	(iv)
HKAS 17 (Amendment)	Leases	(iv)
HKAS 36 (Amendment)	Impairment of assets	(iv)
HKAS 39 (Amendment)	Financial instrument: Recognition and measurement	(iv)

Effective date

- (i) Annual periods beginning on or after 1 July 2009
- (ii) Annual periods ending on or after 30 June 2009
- (iii) Transfer of assets from customers received on or after 1 July 2009
- (iv) Annual periods beginning on or after 1 January 2010

2. Turnover and segment information

Business segments

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

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

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

2. Turnover and segment information *(Continued)***Business segments** *(Continued)*

An analysis of the Group's revenue and results for the period by business segment is as follows:

	Six months ended 30 June 2009					Total HK\$'000
	Property Investment	Entertainment Media	Media Shopping	Telecom- munication	Leisure and Entertainment Events	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover						
External sales	3,161	6,305	55	982	385	10,888
Segment results	2,329	(161)	(1,578)	(19)	(3,027)	(2,456)
Other income and gains						489
Unallocated corporate expenses						(16,826)
Net loss on disposal of subsidiaries						(11,363)
Fair value loss on derivative component of convertible bond						(5,517)
Finance costs						(6,063)
Loss before taxation						(41,736)
Taxation						(119)
Loss for the period						(41,855)

2. Turnover and segment information (Continued)**Business segments** (Continued)

	Six months ended 30 June 2008					
	Property Investment	Entertainment Media	Media Shopping	Telecom- munication	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External sales	3,007	8,800	2,072	987	–	14,866
Inter-segment sales	–	84	–	–	(84)	–
Total	3,007	8,884	2,072	987	(84)	14,866
Segment results	2,102	33	(1,915)	8		228
Other income and gains						1,449
Unallocated corporate expenses						(30,491)
Finance costs						(1,905)
Loss before taxation						(30,719)
Taxation						326
Loss for the period						(30,393)

2. Turnover and segment information *(Continued)*

Geographical segments

An analysis of the Group's turnover and contribution to operating loss for the period by geographical segment is as follows:

	Turnover		Contribution to loss for the period	
	Six months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	9,254	11,142	(16,606)	(27,075)
Mainland of China	652	2,737	(21,327)	(796)
United States of America	982	987	(801)	(2,211)
Macau	-	-	(3,121)	(311)
	10,888	14,866	(41,855)	(30,393)

3. Loss before taxation

This is arrived at after charging/(crediting):

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
<i>Crediting:</i>		
Interest income	1	17
<i>Charging:</i>		
Staff costs (including directors' remuneration)	12,978	18,034
Amortisation of intangible assets included in cost of sales and services	196	197
Depreciation of property, plant and equipment	835	997

4. Finance costs

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Imputed interest on convertible bonds	1,074	1,591
Interests on:		
Borrowings wholly repayable within five years	4,551	150
Borrowings not wholly repayable within five years	438	164
	6,063	1,905

5. Taxation

The amount of tax charge/(credit) in the unaudited condensed consolidated income statement represents:

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Current tax – overseas		
Current period	119	133
Overprovision in respect of prior years	–	(196)
Deferred tax	–	(263)
	119	(326)

No provision for Hong Kong profits tax has been made for the period as the Group has no assessable profits arising in Hong Kong (2008: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the appropriate current rates of taxation ruling in the countries in which the Group's subsidiaries operate.

6. Loss per share

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

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Loss for the period for the purpose of basic loss per share – loss for the period attributable to equity holders of the Company	41,705	30,420
	<hr/>	
	Number of shares	
	2009	2008
Weighted average number of ordinary shares for the purpose of basic loss per share	1,470,053,824	1,470,040,740
	<hr/>	

Diluted loss per share for the periods ended 30 June 2009 and 2008 has not been disclosed, as convertible bonds, share options and warrants outstanding during the periods had an anti-dilutive effect on the basic loss per share for these periods.

7. Intangible assets

**Cable use
rights**
HK\$'000

COST

As at 1 January 2009 and as at 30 June 2009 3,625

ACCUMULATED AMORTISATION

As at 1 January 2009 3,233

Charge for the period 196

As at 30 June 2009 3,429

CARRYING AMOUNT

As at 30 June 2009 196

As at 31 December 2008 392

8. Trade receivables, other receivables and prepayments

The Group normally allows an average credit period of 60 to 90 days to trade customers. Included in the balances are trade receivables and the ageing analysis, net of allowance for doubtful debts, based on the due date, was as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Current	1,644	1,948
31 to 60 days	908	1,195
61 to 90 days	719	853
Over 90 days	1,343	1,983
	4,614	5,979
Other receivables and prepayments	9,689	13,203
	14,303	19,182

9. Trade payables, other payables and accruals

Included in the balances are trade payables and the ageing analysis is as follows:

	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
Current	275	359
31 to 60 days	112	19,047
61 to 90 days	68	493
Over 90 days	11,203	796
	11,658	20,695
Other payables and accruals	7,748	10,068
	19,406	30,763

10. Derivative financial instrument

Derivative financial instrument represented embedded derivative in convertible bond. During the period, there was a significant increase in the share price of the Company, and accordingly, the fair value of the derivative component of the convertible bond increased, resulting in a fair value loss of approximately HK\$5,517,000 (2008: Nil).

11. Share capital**(i) Ordinary Shares**

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 31 December 2008 and 30 June 2009	7,300,000,000	730,000
Issued and fully paid:		
At 31 December 2008 and 1 January 2009	1,470,040,740	147,004
Issue of shares upon exercise of warrants	73,600	7
At 30 June 2009	1,470,114,340	147,011

(ii) Convertible Preference Shares

The authorized convertible preference shares ("CPS") capital of the Company amounted to HK\$20,000,000 divided into 2,000,000,000 CPSs of HK\$0.01 each.

There are no CPSs issued in the years 2008 and 2009.

The Company has undergone a capital reorganisation which was approved by the shareholders of the Company at a special general meeting held on 26 August 2009. With effect from 27 August 2009, (i) the nominal value of the share of the Company is reduced from HK\$0.10 to HK0.01 each; (ii) the authorised convertible preference share capital of the Company has been cancelled and (iii) the authorised ordinary share capital has been increased to HK\$750,000,000.

12. Related party transactions

- (i) During the six months ended 30 June 2009, the Group had the following material related party transactions:
- (a) A subsidiary of the Company has received management service fee income of approximately HK\$335,000 (2008: HK\$405,000) from a subsidiary of Quants Inc. ("Quants"), a former substantial shareholder of the Company (Note), for the provision of general administrative and corporate services.
 - (b) A subsidiary of the Company received telecommunication revenue of approximately HK\$861,000 (2008: HK\$987,000) from a subsidiary of Quants.
 - (c) Quants has granted a credit facility of HK\$20,000,000 (2008: HK\$20,000,000) to the Company. The loan bears commercial interest rate and is unsecured. The Company did not use the facility during the period (2008: nil).

12. Related party transactions *(Continued)*

- (d) Wise Sun Holdings Limited ("Wise Sun"), a substantial shareholder of the Company, has granted a credit facility of HK\$60,000,000 (2008: not applicable) to the Company. The loan is unsecured with interest at 5% per annum. The facility is available for drawdown up to September 2009 and is repayable within six months from the date of the first drawdown. The first drawdown of this credit facility was on 16 June 2009. As at the period end, the Group has drawn HK\$43.6 million and the available balance of this credit facility was approximately HK\$16.4 million (2008: not applicable).
- (e) Interest expenses accrued for 16 June 2009 to 30 June 2009 of approximately HK\$68,000 (2008: not applicable) for a loan from Wise Sun.

Note:

Quants ceased to be a substantial shareholder of the Company upon the change of shareholding of the Company completed on 8 June 2009. After that, Wise Sun became a new substantial shareholder of the Company holding 38.12% of the issued share capital of the Company as at 30 June 2009.

- (ii) As at balance sheet dates, the Group had the following balances with related parties:
- (a) As at 30 June 2009, amount due to Wise Sun for the principal amount for a loan from a substantial shareholder and related accrued interests for 16 June 2009 to 30 June 2009 of approximately HK\$43,684,000 (2008: not applicable).
- (b) As at 30 June 2008, amount due from a subsidiary of Quants in respect of general administrative and corporate services provided of approximately HK\$74,000 is included in the trade, other receivables and prepayments. The amount was unsecured, interest-free and with no fixed repayment terms.
- (c) As at 30 June 2008, amount due from a subsidiary of Quants in respect of telecommunication revenue of approximately HK\$165,000 is included in the trade, other receivables and prepayments. The amount was unsecured, interest-free and with no fixed repayment terms.

13. Capital Commitment

The Group did not have any significant capital commitment as at 30 June 2009 and 31 December 2008.

14. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

BUSINESS REVIEW

For the Review Period, the Group recorded an unaudited consolidated turnover of HK\$10,888,000 (2008: HK\$14,866,000). The gross profit for the Review Period was HK\$6,930,000 (2008: HK\$8,477,000). Loss for the period amounted to HK\$41,855,000 (2008: HK\$30,393,000). The loss attributable to equity holders of the Company were HK\$41,705,000 (2008: HK\$30,420,000) and the total assets of the Group were amounted to HK\$138,542,000 as at 30 June 2009 (at 31 December 2008: HK\$173,072,000).

Property Investment Segment

For the Review Period, the total revenue of this Segment was approximately HK\$3,161,000 (2008: HK\$3,007,000). The profit of this Segment increased to HK\$2,329,000, comparing to the last corresponding period. The increase was mainly due to the increase in renewed rental value and occupancy.

In May 2009, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire issued share capital in Million Year Consultants Limited, a wholly-owned subsidiary of the Company, which held 20 service apartments in Suzhou, the People's Republic of China ("PRC"). After the disposal, the Group did not have any investment property in the PRC. Details of the disposal and the agreement have been disclosed in the Company's announcement dated 25 May 2009.

As at 30 June 2009, majority of the shops and car parks of the properties situated at Citicorp Centre in Hong Kong were leased out to third parties. The rental income from the Hong Kong properties remained stable during the Review Period.

BUSINESS REVIEW *(Continued)*

Entertainment Media Segment

The turnover of this Segment was approximately HK\$6,305,000 (2008: HK\$8,884,000) and the loss of this Segment amounted to HK\$161,000 (2008: profit of HK\$33,000) during the Review Period. Due to the financial crisis in the year end of 2008, the severe competition in the mobile entertainment business and bad economic environment in the industry in the first half year of 2009, the turnover reduced by 29% when compared to the same period of last year.

This Segment is engaged in mobile entertainment business and is consisted of certain subsidiaries, including Cellcast (Asia) Limited and Enhanced Life Services Limited. These subsidiaries, with the brands of "Yeah Mobile" and "Ping Pong Boy", continue their leading position in the multi-media advertising, contents and services industries. It has diversified the existing services with more customer oriented components and features to different customers in Hong Kong, Macau and overseas. The major clients are famous telecommunication companies, including CTM, CSL, PCCW, Smartone, Hutchison, Peoples, Sunday, Yahoo and Samsung, etc.

Leisure and Entertainment Events Segment

During the Review Period, this Segment has organised a marketing event in Hong Kong for a Hong Kong subsidiary of Zoomlion group from PRC. The turnover of this Segment was HK\$385,000 (2008: Nil). However, this Segment would continue to implement stringent cost control with its streamlined structure as well as to explore more opportunities in entertainment and marketing events industries.

Further to the deed of settlement and variation entered among S.I. Macau Entertainment Company Limited ("SIME"), a wholly-owned subsidiary of the Company, ING Co., Ltd. and Asia and Pacific Media Limited on 17 April 2009 regarding the reduced licence fee for the "Miss International Pageant 2008" from US\$3 million to US\$2.15 million and the payment of outstanding fee in the amount US\$1,385,480 ("Final Payment") as full and final settlement, SIME has signed a confirmation letter with the aforesaid parties and settled the Final Payment in July 2009.

BUSINESS REVIEW *(Continued)*

Media Shopping Segment

During the Review Period, the operation of this Segment had been reduced and became inactive and its turnover was decreased to HK\$55,000 (2008: HK\$2,072,000) after the continuous severe competition in media marketing and shopping industries and high costs in various media channels in the PRC. The loss of this Segment amounted to HK\$1,578,000 (2008: HK\$1,915,000). The Group had streamlined the structure of this Segment and implemented stringent cost control over its daily operation.

Telecommunication Segment

During the Review Period, the turnover of this Segment was approximately HK\$982,000 (2008: HK\$987,000). Since this Segment holds cable use right for a cable connected between Japan and Hawaii and continues to provide maintenance and support services to its bilateral correspondent in Japan, it generated stable income when compared to the same period of last year. The loss of this Segment was HK\$19,000 approximately (2008: profit of HK\$8,000).

CAPITAL

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

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

CAPITAL *(Continued)*

In May 2009, the Company was notified that there was change in the substantial shareholder of the Company and the change was completed on 8 June 2009. After that, Wise Sun Holdings Limited ("Wise Sun") became a new substantial shareholder of the Company holding 560,395,180 shares of the Company, representing 38.12% and 30.58% of the issued share capital of the Company as at 30 June 2009 and at the issue date of this interim report respectively. After the change, the Company has received the notification from Optima Capital Limited, who acted on behalf of Wise Sun, regarding the mandatory conditional general offers to the securities holders of the Company for all the issued shares and convertible bond in, and cancellation of all outstanding options of, the Company. The general offers are conditional upon valid acceptances of the shares tendered by the disinterested shareholders and received by Wise Sun which will result in Wise Sun holding more than 50% of the voting rights of the Company. The general offers have not become unconditional and have lapsed on 10 August 2009. Details of the general offers and their lapses were announced in the joint announcement dated 17 June 2009 and 10 August 2009 and composite circular of the Company and Wise Sun dated 20 July 2009.

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

CAPITAL *(Continued)*

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

In August 2009, the Company has received a conversion notice from Violet Profit Holdings Limited, the holder of the outstanding redeemable convertible bond in the amount of HK\$7.2 million, to convert the whole principal amount of the bond into 68,571,428 ordinary shares of the Company at the exercise price of HK\$0.105 each per share.

POST BALANCE SHEET EVENTS

As mentioned in above paragraph under the Section "Capital", the Company has issued and allotted 294,000,000 shares of the Company to several independent third parties through a placing agent on 8 July 2009 and also issued and allotted 68,571,428 shares to a convertible bond holder in August 2009. Therefore, the total number of the issued share capital of the Company was increased to 1,832,685,768 shares. Details of the placing and the number of issued shares capital of the Company were disclosed in the Company's announcement dated 8 July 2009 and the next day disclosure returns dated 8 July 2009 and 26 August 2009 respectively.

In August 2009, the Company has obtained the approval from the independent shareholders of the Company at a special general meeting of the Company for the New CBs and Capital Reorganisation. Details of the New CBs, Capital Reorganisation and the approval by the independent shareholders of the Company were disclosed in the Company's aforesaid joint announcement dated 17 June 2009 and the Company's circular and announcement dated 20 July 2009 and 26 August 2009 as mentioned in the 4th paragraph under the Section "Capital" above.

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

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

In June 2009, the Group refinanced all non-bank loans, which the principal and related accrued interests amounted to approximately HK\$43.6 million, by drawing down a facility provided by the Wise Sun Holdings Limited ("Wise Sun"), a substantial shareholder of the Company ("Facility"). The maximum amount of the Facility is HK\$60 million and the unused amount as at the period end was approximately HK\$16.4 million.

As at 30 June 2009, the Group had banking facilities totalling approximately HK\$64 million and unsecured revolving term loan facility of HK\$20 million from Quants. The Hong Kong banking facility has been secured by the Group's Hong Kong investment properties with aggregate net book value of approximately HK\$116 million, while the United States banking facility was secured by the personal guarantee of a director of the Company and an ex-director of a subsidiary up to the extent of HK\$390,000. In addition, the Group and certain subsidiaries provided a bank of cross guarantees totalling HK\$55 million in respect of a shared banking facility to be used by the Group and these subsidiaries. As at 30 June 2009, the available facilities were approximately HK\$46 million.

As at 30 June 2009, the Group had short-term bank loans of approximately HK\$19 million and long-term bank loans of approximately HK\$34 million, cash and bank balances of approximately HK\$5 million. The Group also had short-term non-bank loan from Wise Sun of approximately HK\$43.6 million. All bank loans were at floating interest rates and non-bank loan was at fixed interest rates. Most of the borrowings were denominated in Hong Kong dollars ("HKD") and less than 1% of all borrowings are denominated in the United States dollars ("USD"). The maturity profile of the Group's bank borrowings as at 30 June 2009 was spread over a period of fourteen years, with approximately 35% repayable within one year, 12% repayable between two to five years and 53% repayable over five years.

The Group's current assets as at 30 June 2009 were approximately HK\$19 million while the current liabilities were approximately HK\$94 million. As at 30 June 2009, the Group's current ratio was 0.20 (at 31 December 2008: 0.35).

LIQUIDITY, FINANCIAL RESOURCES, CHARGES ON GROUP ASSETS AND GEARING RATIO *(Continued)*

The Group's gearing ratio, representing the Group's bank loan, non-bank loans, convertible bond and derivative financial instrument (i.e. derivative component of convertible bond) divided by the equity attributable to equity holders of the Company, as at 30 June 2009 is 2714% (at 31 December 2008: 198%). The adjusted Group's gearing ratio by excluding the non-bank loan provided by Wise Sun, a substantial shareholder of the Company, convertible bond and derivative financial instrument, was 1320% (at 31 December 2008: not applicable).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

CONTINGENT LIABILITIES

As at 30 June 2009, the Company had only one outstanding litigation case. This litigation case was commenced by a bank against a bankrupted third party and joint venture, which had served a third party notice to the Company, for outstanding balance of overdraft facilities. After obtaining the advice from a lawyer, the directors are of the opinion that the case has been dormant for a number of years and ruling against the Company is remote, and therefore no provision has been made in the financial statements in respect of the alleged claims.

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

EMPLOYEE OF THE GROUP

The Group has adopted 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 30 June 2009, the total headcount of the Group was 61.

PROSPECT

Following the preceding year of 2008, the year of 2009 still comprises changes, uncertainties and exploration by the Group despite the Hang Seng Index raised up to a high position before the financial tsunami in the fourth quarter of 2008. Most economists cited abundant financial analysis to conclude that the financial tsunami will have long term and substantial impact which will lead to reforms in the global financial framework and may complicate the global economic recovery process.

In the first quarter of 2009, the Hong Kong Gross Domestic Product declined by 7.8% in real terms from a year earlier while private consumption expenditure contracted by 5.5% in real terms and expenditure on building and construction of the private sector decreased by 9.2% in real terms. The economy environment in Hong Kong is still severe and affects the operations of the existing business segments seriously.

The Group will continue to rationalize and streamline the existing structures and operations and may consider scaling down any unprofitable and/or dormant business segments when necessary. The Group will actively explore various business opportunities and may diversify the businesses and investments which are beneficial to the shareholders and investors of the Company.

SHARE OPTION SCHEMES

The movements in the options granted under the employee share option scheme for the six months ended 30 June 2009 were as follows:

Subscription	Price/share*	Exercisable period	Option grant date	No. of options granted	No. of options held at 1 January 2009*	No. of options exercised/lapsed during the period	No. of options outstanding at 30 June 2009
Directors:							
Michele Matsuda	0.549	25/5/2005-24/5/2015	25/5/2005	2,000	21,075	-	21,075
Leung To Kwong, Valiant	0.180	10/1/2007-9/1/2010	10/1/2007	300	3,161	-	3,161
Others:							
Continuous contract employees	0.180	10/1/2007-9/1/2009	10/1/2007	340	843	(843)	-

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

(a) Ordinary shares of HK\$0.10 each of the Company

Name of Directors	Capacity	Total number of shares	Approximate percentage of issued share capital of the Company (%)
Michele Matsuda	Beneficial owner and held by controlled corporation (<i>Note</i>)	80,570,000	5.48
Leung To Kwong, Valiant	Beneficial owner	1,730,000	0.12

Note: Mr. Matsuda held 80,560,000 shares through e-Compact Limited, a company wholly owned by Anglo Japan Enterprises Limited, which is in turn beneficially owned by him, the remaining 10,000 shares are beneficially held by himself.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(Continued)***(b) Share Options**

Name of Directors	Capacity	Total number of share options	Approximate percentage of issued share capital of the Company (%)
Michele Matsuda	Beneficial owner	21,075,270	1.43
Leung To Kwong, Valiant	Beneficial owner	3,161,290	0.22

Save as disclosed above, as at 30 June 2009, none of the Directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

(a) Ordinary shares of HK\$0.10 each of the Company

Name of Directors	Capacity	Total number of shares	Approximate percentage of issued share capital of the Company (%)
Wise Sun Holdings Ltd	Beneficial owner	560,395,180	38.12
Bright Ace Holdings Ltd	Held by controlled corporation (Note 1)	560,395,180	38.12
Zhou Jian	Held by controlled Corporation (Note 1)	560,395,180	38.12
Suen Cho Hung, Paul	Held by controlled Corporation (Note 1)	560,395,180	38.12
Ichiya Co., Ltd.	Beneficial owner	100,000,000	6.80
Michele Matsuda	Beneficial owner and held by controlled corporation (Note 2)	80,570,000	5.48

Notes:

1. Wise Sun is wholly owned by Bright Ace Holdings Limited which in turn is 50% each owned by Mr. Zhou Jian and Mr. Suen Cho Hung, Paul respectively.
2. Mr. Matsuda held 80,560,000 Shares through e-Compact Limited, a company wholly owned by Anglo Japan Enterprises Limited, which is in turn beneficially owned by him, the remaining 10,000 shares are beneficially held by himself.

SUBSTANTIAL SHAREHOLDERS *(Continued)***(b) Share Options**

Name of Directors	Capacity	Total number of share options	Approximate percentage of issued share capital of the Company (%)
Michele Matsuda	Beneficial owner	21,075,270	1.43

(c) Convertible Bonds (“CBs”)

Name of Directors	Capacity	Maximum number of underlying ordinary shares to be issued at conversion	Approximate percentage of issued share capital of the Company (%)
Wise Sun Holdings Ltd	Beneficial owner <i>(Note)</i>	3,000,000,000	204.07
Bright Ace Holdings Ltd	Held by controlled corporation <i>(Note)</i>	3,000,000,000	204.07
Zhou Jian	Held by controlled Corporation <i>(Note)</i>	3,000,000,000	204.07
Suen Cho Hung, Paul	Held by controlled Corporation <i>(Note)</i>	3,000,000,000	204.07

Note: Wise Sun has entered into a subscription agreement dated 17 June 2009, pursuant to which it has agreed to subscribe the CBs in an aggregate principal amount of up to HK\$120,000,000, convertible into up to 3,000,000,000 shares of the Company at the initial conversion price of HK\$0.04 per share. Wise Sun is wholly owned by Bright Ace Holdings Limited which in turn is 50% each owned by Mr. Zhou Jian and Mr. Suen Cho Hung, Paul respectively.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at 30 June 2009, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

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

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

CORPORATE GOVERNANCE

During the six months ended 30 June 2009, the Company was in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except for the following:

- (a) The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to Bye-law 87(1) of the Company's Bye-laws; and
- (b) There is no separation of the role of the chairman and the chief executive officer ("CEO"). Mr. Michele Matsuda currently is appointed as the Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and CEO to Mr. Michele Matsuda provides the Group with strong and consistent leadership and allows for more effective planning and prospective development for the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board had 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. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code through the period under review.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2009 with the directors.

By Order of the Board

Michele Matsuda

Chairman

Hong Kong, 3 September 2009