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The Board of Directors of Sun Innovation Holdings Limited (the “Company”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 (the “Review Period”) together with the comparative figures for the corresponding period in 2010.

## CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Notes	For the six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000 (Restated)
<b>Continuing operations</b>			
Turnover	2	<b>93,049</b>	3,805
Cost of sales and services		<b>(84,310)</b>	(1,779)
<hr/>			
Gross profit		<b>8,739</b>	2,026
Other income and net gains or losses		<b>280</b>	220
Selling and distribution expenses		<b>(23)</b>	–
Administrative expenses and other net operating expenses		<b>(13,230)</b>	(12,887)
Loss on disposal of subsidiaries		<b>(365)</b>	–
Finance costs	4	<b>(1,535)</b>	(2,724)
Allowance for doubtful debts on trade and other receivables		<b>(2)</b>	(320)
Fair value gains on investment properties	8	<b>14,000</b>	–
<hr/>			
Profit/(loss) before taxation	3	<b>7,864</b>	(13,685)
Taxation	5	<b>(222)</b>	23
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Profit/(loss) for the period from continuing operations		<b>7,642</b>	(13,662)

**CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED** *(Continued)*  
 FOR THE SIX MONTHS ENDED 30 JUNE 2011

		<b>For the six months ended 30 June</b>	
		<b>2011</b>	2010
	Notes	<b>HK\$'000</b>	HK\$'000 (Restated)
<b>Discontinued operations</b>	6		
Loss for the period from discontinued operations		<b>(563)</b>	(4,557)
		<hr/>	<hr/>
Profit/(loss) for the period		<b>7,079</b>	(18,219)
		<hr/>	<hr/>
Profit/(loss) attributable to:			
– Owners of the Company		<b>7,130</b>	(17,459)
– Non-controlling interest		<b>(51)</b>	(760)
		<hr/>	<hr/>
		<b>7,079</b>	(18,219)
		<hr/>	<hr/>
<b>Profit/(loss) per share from continuing and discontinued operations:</b>	7		
– Basic and diluted		<b>HK cent 0.076</b>	HK cent (0.199)
<b>Profit/(loss) per share from continuing operations:</b>	7		
– Basic and diluted		<b>HK cent 0.081</b>	HK cent (0.156)

The accompanying notes form part of the unaudited condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
<b>Profit/(loss) for the period</b>	<b>7,079</b>	(18,219)
<b>Other comprehensive income</b>		
Currency translation differences	<b>(289)</b>	(170)
Reclassification adjustments of exchange fluctuation reserve upon disposal of subsidiaries	<b>323</b>	–
<b>Other comprehensive income for the period, net of tax</b>	<b>34</b>	(170)
<b>Total comprehensive income for the period</b>	<b>7,113</b>	(18,389)
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	<b>7,164</b>	(17,629)
– Non-controlling interest	<b>(51)</b>	(760)
	<b>7,113</b>	(18,389)

The accompanying notes form part of the unaudited condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

		<b>Unaudited 30 June 2011</b>	Audited 31 December 2010 (Restated) <i>Note 1</i>	Audited 1 January 2010 (Restated) <i>Note 1</i>
	Notes	<b>HK\$'000</b>	HK\$'000	HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment		<b>1,254</b>	1,272	1,993
Investment properties	8	<b>132,000</b>	118,000	116,000
Intangible assets	9	–	–	–
		<b>133,254</b>	119,272	117,993
<b>Current assets</b>				
Trading merchandise goods		<b>7,815</b>	–	–
Trade receivables, other receivables and prepayments	10	<b>37,838</b>	8,451	6,065
Bank balances and cash		<b>230,081</b>	261,067	296,418
		<b>275,734</b>	269,518	302,483
<b>Current liabilities</b>				
Trade payables, other payables and accruals	11	<b>19,285</b>	6,111	5,916
Bank and other borrowings		<b>53,593</b>	54,830	58,111
Convertible bonds		–	35,188	–
Tax payable		<b>329</b>	108	108
		<b>73,207</b>	96,237	64,135
<b>Net current assets</b>		<b>202,527</b>	173,281	238,348
<b>Total assets less current liabilities</b>		<b>335,781</b>	292,553	356,341

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30 JUNE 2011

		<b>Unaudited</b>	Audited	Audited
		<b>30 June</b>	31 December	1 January
		<b>2011</b>	2010	2010
			(Restated)	(Restated)
			<i>Note 1</i>	<i>Note 1</i>
	Notes	<b>HK\$'000</b>	HK\$'000	HK\$'000
<b>Non-current liabilities</b>				
Bank and other borrowings		–	–	50
Convertible bonds		–	–	35,596
Deferred tax liabilities		<b>999</b>	999	1,329
		<b>999</b>	999	36,975
<b>Net assets</b>		<b>334,782</b>	291,554	319,366
EQUITY				
<b>Share capital</b>	12	<b>98,327</b>	88,827	87,577
<b>Reserves</b>		<b>238,102</b>	204,323	230,603
<b>Equity attributable to owners of the Company</b>				
		<b>336,429</b>	293,150	318,180
<b>Non-controlling interest</b>		<b>(1,647)</b>	(1,596)	1,186
<b>Total equity</b>		<b>334,782</b>	291,554	319,366

The accompanying notes form part of the unaudited condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	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
<b>As at 1 January 2010, as previously reported</b>	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 (Note 1)	-	-	-	-	-	-	3,038	3,038	-	3,038
<b>As at 1 January 2010, as restated</b>	87,577	206,630	8,522	7,355	49,510	(2,064)	(39,350)	318,180	1,186	319,366
<b>Changes in equity for the six months ended 30 June 2010</b>										
Loss for the period	-	-	-	-	-	-	(17,459)	(17,459)	(760)	(18,219)
Other comprehensive income	-	-	-	-	-	(170)	-	(170)	-	(170)
Total comprehensive income for the period	-	-	-	-	-	(170)	(17,459)	(17,629)	(760)	(18,389)
Issue of shares upon conversion of convertible bonds	250	822	(198)	-	-	-	-	874	-	874
<b>As at 30 June 2010 and 1 July 2010, as restated</b>	87,827	207,452	8,324	7,355	49,510	(2,234)	(56,809)	301,425	426	301,851
<b>Changes in equity for the six months ended 31 December 2010</b>										
Loss for the period (restated)	-	-	-	-	-	-	(11,574)	(11,574)	(2,022)	(13,596)
Other comprehensive income	-	-	-	-	-	(357)	-	(357)	-	(357)
Total comprehensive income for the period (restated)	-	-	-	-	-	(357)	(11,574)	(11,931)	(2,022)	(13,953)
Issue of shares upon conversion of convertible bonds	1,000	3,449	(793)	-	-	-	-	3,656	-	3,656
<b>As at 31 December 2010, as restated</b>	88,827	210,901	7,531	7,355	49,510	(2,591)	(68,383)	293,150	(1,596)	291,554

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Attributable to owners of the Company									
	Share capital	Share premium	Convertible bonds – equity component	Land and buildings revaluation reserve	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 1 January 2011, as previously reported</b>	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 (Note 1)	-	-	-	-	-	-	3,368	3,368	-	3,368
<b>As at 1 January 2011, as restated</b>	88,827	210,901	7,531	7,355	49,510	(2,591)	(68,383)	293,150	(1,596)	291,554
<b>Changes in equity for the six months ended 30 June 2011</b>										
Profit/(loss) for the period	-	-	-	-	-	-	7,130	7,130	(51)	7,079
Other comprehensive income	-	-	-	-	-	34	-	34	-	34
Total comprehensive income for the period	-	-	-	-	-	34	7,130	7,164	(51)	7,113
Issue of shares upon conversion of convertible bonds	9,500	34,146	(7,531)	-	-	-	-	36,115	-	36,115
<b>As at 30 June 2011</b>	<b>98,327</b>	<b>245,047</b>	<b>-</b>	<b>7,355</b>	<b>49,510</b>	<b>(2,557)</b>	<b>(61,253)</b>	<b>336,429</b>	<b>(1,647)</b>	<b>334,782</b>

The accompanying notes form part of the unaudited condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Net cash used in operating activities	<b>(29,736)</b>	(20,036)
Net cash used in investing activities	<b>(13)</b>	(662)
Net cash used in financing activities	<b>(1,238)</b>	(1,628)
Decrease in cash and cash equivalents	<b>(30,987)</b>	(22,326)
Cash and cash equivalents at 1 January	<b>261,067</b>	296,418
Effect of foreign exchange rate changes	<b>1</b>	1
Cash and cash equivalents at 30 June	<b>230,081</b>	274,093
Represented by:		
Bank balances and cash	<b>230,081</b>	274,093

The accompanying notes form part of the unaudited condensed consolidated interim financial statements.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 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 under the historical cost basis, as modified for investment properties, which are at fair value.

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 for the year ended 31 December 2010, except for the change in accounting policy in respect of deferred tax that are expected to be reflected in the 2011 annual financial statements. Details of this change in accounting policy is set out in “Amendments to HKAS 12 “Income Taxes””.

In the current period, the Group has adopted all the new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to its operations and effective for the current accounting period of the Group. In addition, the Group has early adopted the amendments to HKAS 12 “Income Taxes”. Except as explained below, the adoption of these new or revised HKFRSs had no material effect on the financial statements of the Group for both the current and prior reporting periods.

#### **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.

As a result, the Group’s investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax liabilities and deferred tax assets in respect of such properties. This change in accounting policy has been accounted for retrospectively.

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

Effect of adoption of HKAS 12 (Amendment) on the unaudited condensed consolidated income statement and the unaudited condensed consolidated statement of financial position are as follows:

	<b>For the six months ended 30 June</b>		
	<b>2011 HK\$'000</b>	2010	2010 HK\$'000
<b>Condensed consolidated income statement - unaudited</b>			
Decrease in taxation and increase in profit for the period	<b>2,310</b>	–	
Increase in profit for the period attributable to owners of the Company	<b>2,310</b>	–	
Increase in basic and diluted profit per share from continuing and discontinued operations (HK cent per share)	<b>0.025</b>	–	
Increase in basic and diluted profit per share from continuing operations (HK cent per share)	<b>0.025</b>	–	
	<b>Unaudited As at 30 June 2011 HK\$'000</b>	Audited As at 31 December 2010 HK\$'000	Audited As at 1 January 2010 HK\$'000

**Condensed consolidated statement of financial position**

Decrease in deferred tax liabilities	<b>3,368</b>	3,368	3,038
Increase in net assets	<b>3,368</b>	3,368	3,038
Decrease in accumulated losses	<b>3,368</b>	3,368	3,038

Save as the above, the Group has not early adopted the following new/revised HKFRSs that have been issued, potentially relevant to the Group's operations, 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:

		<b>Effective date</b>
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets	(i)
Amendments to HKAS 1	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)

*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

## 2. Segment information

### Reportable segments

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

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

- Property investment
- Trading
- Entertainment media (mobile entertainment business) (discontinued during the year ended 31 December 2010 – Note 6)
- Leisure and entertainment events (discontinued during the year ended 31 December 2010 – Note 6)
- Telecommunication (maintenance and support services for cable use right between Japan and Hawaii) (discontinued during the year ended 31 December 2010 – Note 6)

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

- (a) Analysis of the Group's revenue and results for the period and assets by business segment are as follows:

	Continuing operations						Discontinued operations								Consolidated	
	Property investment		Trading		Total		Entertainment media		Leisure and entertainment events		Telecommunication		Total			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010		
	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	HK\$'000	HK\$'000	
Revenue from external customers	2,549	2,366	90,500	1,439	93,049	3,805	-	2,759	-	-	-	-	-	2,759	93,049	6,564
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reportable segment revenue	2,549	2,366	90,500	1,439	93,049	3,805	-	2,759	-	-	-	-	-	2,759	93,049	6,564
Reportable segment profit/(loss)	2,078	1,839	6,651	135	8,729	1,974	(453)	(4,190)	-	(212)	(3)	(1)	(456)	(4,403)	8,273	(2,429)
Reportable segment assets	133,662	119,268	49,444	19,492	183,106	138,760	840	675	-	-	-	4	840	679	183,946	139,439

## 2. Segment information (Continued)

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

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000 (Restated)
<b>Profit/(loss) before taxation (include continuing and discontinued operations)</b>		
Reportable segment profit/(loss)	<b>8,273</b>	(2,429)
Segment loss from discontinued operations	<b>456</b>	4,403
Other income and net gains or losses	<b>280</b>	220
Unallocated corporate expenses	<b>(13,136)</b>	(12,677)
Write-back of allowance/(allowance) for doubtful debts on trade and other receivables	<b>32</b>	(306)
Fair value gains on investment properties	<b>14,000</b>	–
Loss on disposal of subsidiaries	<b>(365)</b>	–
Finance costs	<b>(1,676)</b>	(2,896)
	<hr/>	
Consolidated profit/(loss) before taxation from continuing operations	<b>7,864</b>	(13,685)
	<hr/>	
	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
<b>Assets</b>		
Reportable segment assets	<b>183,946</b>	139,439
Unallocated bank balances and cash	<b>219,762</b>	245,950
Unallocated corporate assets	<b>5,280</b>	3,401
	<hr/>	
Consolidated total assets	<b>408,988</b>	388,790
	<hr/>	

## 2. Segment information (Continued)

### (c) Geographic information

An analysis of the Group's revenue from external customers in its continuing operations by geographic location is as follows:

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Hong Kong	11,767	2,366
Mainland China	81,282	1,439
	<b>93,049</b>	3,805

## 3. Profit/(loss) before taxation

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000

### Continuing operations

This is arrived at after charging/crediting:

#### Crediting:

Interest income	265	118
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#### Charging:

Staff costs (including directors' remuneration)	5,303	4,710
Loss on disposal of property, plant and equipment	20	–
Depreciation of property, plant and equipment	234	234

#### 4. Finance costs

		<b>For the six months ended 30 June</b>	
		<b>2011</b>	2010
		<b>HK\$'000</b>	HK\$'000
	Note		
Imputed interest on convertible bonds		<b>970</b>	2,153
Interests on:			
Borrowings wholly repayable within five years		<b>706</b>	743
		<b>1,676</b>	2,896
<hr/>			
Attributable to continuing operations reported in the unaudited condensed consolidated income statement		<b>1,535</b>	2,724
Attributable to discontinued operations	6	<b>141</b>	172
		<b>1,676</b>	2,896

The analysis shows the finance costs of bank borrowings in accordance with the agreed scheduled repayments dates set out in the loan agreements. All term loans which contain a repayment on demand clause in the loan agreements are reclassified as "wholly repayable within five years" in this analysis. For the periods ended 30 June 2011 and 2010, the interest on bank borrowings which contain a repayment on demand clause amounted to HK\$706,000 and HK\$740,000 respectively.

#### 5. Taxation

Taxation charged/(credited) in the unaudited condensed consolidated income statement represents:

		<b>For the six months ended 30 June</b>	
		<b>2011</b>	2010
		<b>HK\$'000</b>	HK\$'000
Current taxation – Hong Kong profits tax for the period		<b>222</b>	–
Current taxation – overseas			
Overprovision in respect of prior years		–	(23)
		<b>222</b>	(23)

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the period. No provision for Hong Kong profits tax had been made for the prior period as the Group had no assessable profits arising in Hong Kong in the period ended 30 June 2010. Taxation for overseas subsidiaries had been calculated on the estimated assessable profits for the period ended 30 June 2010 at the appropriate current rates of taxation ruling in the countries in which the Company's subsidiaries operate.

## 6. 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 are set out in the Company's announcement dated 20 December 2010. Further, the Group did not hold any leisure and entertainment event during the year ended 31 December 2010. As at 31 December 2010, the Discontinued Operations ceased and accordingly these three segments were classified as discontinued operations in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The sales and results of the Discontinued Operations were as follows:

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000 (Restated)
Turnover ( <i>Note 2</i> )	–	2,759
Cost of sales and services	–	(903)
Gross profit	–	1,856
Administrative expenses and other net operating expenses	<b>(456)</b>	(6,255)
Finance costs ( <i>Note 4</i> )	<b>(141)</b>	(172)
Write-back of allowance for doubtful debts on trade and other receivables	<b>34</b>	14
Loss before taxation	<b>(563)</b>	(4,557)
Taxation	–	–
Loss for the period from the Discontinued Operations	<b>(563)</b>	(4,557)

For the purpose of presenting the Discontinued Operations, the comparative unaudited condensed consolidated income statement and the related notes have been re-represented as if the operations discontinued during the six months ended 30 June 2010 had been discontinued at the beginning of the comparative period.

## 7. Profit/(loss) per share

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

### From continuing and discontinued operations

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic profit/(loss) per share	<b>7,130</b>	(17,459)
	<hr/>	
	Number of shares	
	2011	2010
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	<b>9,394,630,212</b>	8,758,380,212
	<hr/>	

### From continuing operations

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Profit/(loss) for the period for the purpose of basic profit/(loss) per share from continuing operations	<b>7,642</b>	(13,662)
	<hr/>	

As convertible bonds, share options and warrants, where applicable, outstanding during the periods had an anti-dilutive effect on the basic profit/(loss) per share for both periods, 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/(losses) per share for (i) continuing and discontinued operations; and (ii) continuing operations in the respective periods are equal.

## 7. Profit/(loss) per share (Continued)

### From discontinued operations

Basic losses per share for the discontinued operations is HK cent 0.005 (2010: HK cent 0.043 (restated)) per share, based on the loss for the period from the discontinued operations of HK\$563,000 (2010:HK\$4,557,000 (restated)) attributable to owners of the Company and the denominators detailed above for both basic and diluted losses per share.

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

## 8. Investment properties

	HK\$'000
<b>FAIR VALUE</b>	
As at 1 January 2011	118,000
Fair value gains	14,000
	<hr/>
As at 30 June 2011	132,000
	<hr/>

Investment properties were valued at 30 June 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\$14,000,000 (2010: no fair value change).

The property rental income earned by the Group from its investment properties, most of which are leased out under operating leases, amounted to HK\$2,549,000 (2010: HK\$2,366,000). Direct operating expenses arising on the investment properties in the year amounted to HK\$418,000 (2010: HK\$451,000).

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.

## 9. Intangible assets

### Cable use rights

HK\$'000

#### **COST**

As at 1 January 2011	3,627
Dissolution of a subsidiary	(3,627)
	<hr/>
As at 30 June 2011	–
	<hr/>

#### **ACCUMULATED AMORTISATION**

As at 1 January 2011	3,627
Dissolution of a subsidiary	(3,627)
	<hr/>
As at 30 June 2011	–
	<hr/>

#### **NET CARRYING AMOUNT**

As at 30 June 2011	–
	<hr/>
As at 31 December 2010	–
	<hr/>

## 10. Trade receivables, other receivables and prepayments

The Group normally allows an average credit period of 30 to 90 days to trade customers. The ageing analysis of trade receivables, net of allowance for doubtful debts, based on the due date, was as follows:

	<b>30 June 2011 HK\$'000</b>	31 December 2010 HK\$'000
Trade receivables		
Current	<b>26,426</b>	4,931
31 to 60 days	<b>6,483</b>	20
61 to 90 days	<b>10</b>	19
Over 90 days	<b>28</b>	17
	<b>32,947</b>	4,987
Other receivables and prepayments	<b>4,891</b>	3,464
	<b>37,838</b>	8,451

## 11. Trade payables, other payables and accruals

The ageing analysis of trade payables was as follows:

	<b>30 June 2011 HK\$'000</b>	31 December 2010 HK\$'000
Trade payables		
Current	<b>12,099</b>	151
31 to 60 days	<b>1,622</b>	126
61 to 90 days	<b>93</b>	129
Over 90 days	<b>2,000</b>	1,316
	<b>15,814</b>	1,722
Other payables and accruals	<b>3,471</b>	4,389
	<b>19,285</b>	6,111

## 12. Share capital

	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 December 2010 and 30 June 2011	75,000,000,000	750,000
Issued and fully paid:		
As at 31 December 2010 and 1 January 2011	8,882,685,768	88,827
Issue of shares upon conversion of convertible bonds	950,000,000	9,500
As at 30 June 2011	9,832,685,768	98,327

## 13. Related party transaction

During the six months ended 30 June 2011, the Group had the following material related party transaction:

The Company incurred interest expenses for the subscription bonds issued to Wise Sun Holdings Limited, a substantial shareholder of the Company, of HK\$970,000 for the current period (2010: HK\$1,905,000).

## 14. Capital commitment

The Group did not have any significant capital commitment as at 30 June 2011 and 31 December 2010.

## 15. 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 2011 (2010: Nil).

## **BUSINESS REVIEW**

For the Review Period, the Group reported an unaudited consolidated turnover (including both continuing and discontinued operations) of HK\$93,049,000 (2010: HK\$6,564,000), representing an increase of 1,318%. The turnover from the continuing operations of the Group for the Review Period was HK\$93,049,000 (2010: HK\$3,805,000), representing an increase of 2,345%. The Group reported a gross profit from continuing operations of HK\$8,739,000 (2010: HK\$2,026,000) under the Review Period. The increase in turnover and gross profit was due to the substantial expansion of Trading Segment. The Group also reported a net profit after taxation from continuing and discontinued operations for the Review Period amounted to HK\$7,079,000 (2010: Loss of HK\$18,219,000). The reasons for the turnaround were due to the fair value gains from investment properties, substantial expansion of Trading Segment and reduction of finance cost. The total assets of the Group amounted to HK\$408,988,000 as at 30 June 2011 (at 31 December 2010: HK\$388,790,000).

### **Property Investment Segment**

During the Review Period, the Property Investment Segment recorded a turnover of HK\$2,549,000 (2010: HK\$2,366,000), representing a increase of 8% compared to the last corresponding period. The profit of this Segment increased by 13% to HK\$2,078,000 (2010: HK\$1,839,000), as a result of the higher rental rates and occupancy rate. The turnover of this Segment represented 3% of the Group's overall turnover during the Review Period.

As at 30 June 2011, all shops and majority of the car parks of the properties situated at Citicorp Centre in Hong Kong were leased out. The rental income from this Segment remained steady during the Review Period.

### **Trading Segment**

The Group has continued its effort in developing the Trading Segment during the Review Period. During the Review Period, the business of this Segment covered the trading of metal scraps and Chinese tea. This Segment reported a turnover of HK\$90,500,000 (2010: HK\$1,439,000), a 6,189% growth compared to the first half of 2010. The profit of this Segment also increased to HK\$6,651,000 (2010: HK\$135,000) during the Review Period, reflecting a significant growth of 4,827% compared to the last corresponding period.

The Group would continue to identify and explore suitable opportunities for the Trading Segment in light of the regional and global economic development.

## **CAPITAL**

In March 2011, a holder of the convertible bonds of the Company in the principal amount of HK\$38,000,000 had exercised its rights and converted the aforesaid 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 30 June 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 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.

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 and 11 August 2011 respectively.

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

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

The Group has banking facilities in forms of mortgage loan and instalment loans. These banking facilities were secured by the Group's investment properties with aggregate net book value of HK\$132 million. In addition, the Company and certain subsidiaries provided a bank of cross guarantees totalling HK\$55 million in respect of these banking facilities to be used by the Company and these subsidiaries.

In addition to the banking facilities mentioned above, an indirectly-owned subsidiary of the Group, among the Entertainment Media Segment which was discontinued in end of December 2010, had obtained a banking facility amounted to HK\$6 million from a bank in Hong Kong in 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.

As at 30 June 2011, the Group had banking facilities totally amounted to approximately HK\$54 million. All bank loans were at floating interest rates. All the borrowings were denominated in Hong Kong dollars. According to the Hong Kong Interpretation 5 issued by the Hong Kong Institute of Certified Public Accountant in November 2010, all bank loans even with the agreed scheduled repayments dates that longer than 12 months from the period-end date should be classified as "current liabilities" if there was a "repayment on demand clause" in the banking facilities. According to this interpretation, all bank loans of the Group were classified as "current liabilities" as at 30 June 2011 and the respective figures for the last financial year were also reclassified under the same interpretation. According to the agreed scheduled repayments dates, the maturity profile of the Group's bank borrowings as at 30 June 2011 was spread over a period of 12 years, with approximately 14% repayable within one year, 21% repayable between two to five years and 65% repayable over five years. The cash and bank balances as at 30 June 2011 was approximately HK\$230 million.

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

In August 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 cross guarantees provided by the Company and certain subsidiaries and the pledges of Group's investment properties related to the aforesaid mortgage loan and instalment loans will be released.

The Group's current assets were approximately HK\$276 million while the current liabilities were approximately HK\$73 million as at 30 June 2011. As at 30 June 2011, the Group's current ratio was 3.8 (at 31 December 2010: 2.8).

As at 30 June 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 16% (at 31 December 2010: 31%).

## **EXPOSURE TO FLUCTUATIONS 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 Review Period. Certain expenses of the Group incurred in RMB which had fluctuated in a relatively greater extent in the Review Period. 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 Review Period.

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 30 June 2011, the Group did not have any material contingent liability.

## **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 2011, the total headcount of the Group was 21.

## **PROSPECT**

In spite of various uncertainties and macroeconomic factors affecting the global economy, China's booming economy continued to grow and became the world's second-largest economy in the year of 2010.

The global growth in the year of 2011 is predicted to be slower due to the natural disasters and earthquakes in various countries and the political turmoil in the Middle-East and North Africa countries. However, the global growth of 2011 shall remain robust, especially the rapid pace of trade growth and import demand for the capital goods and consumer goods from the developing countries and the persistent strong demand in the global metal and mineral markets in various countries, of which China plays a vital and dominant role. The economy of Hong Kong will also be supported and benefitted from the constant growth in China's economy.

During the Review Period, the Group has achieved to expand and improve the performance of the existing Business Segments after re-allocation of resources and discontinuance of loss making businesses. Facing the second half year of 2011, the Group will continue to strive for stable growth of the existing trading and property investments businesses and to actively explore new potential business opportunities in order to achieve a more promising and prospective value to all valued shareholders and investors of the Company.

## **SHARE OPTION SCHEMES**

The Company has 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 Review Period, the Company did not grant any options to any person and as at 30 June 2011 there was no outstanding option to subscribe for any shares of the Company under the Option Scheme.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2011, the interests and short positions of the Directors and chief executives 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 Securities and Futures Ordinance (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:

### Ordinary shares of HK\$0.01 each

Name of Director	Capacity	Total number of shares	Approximate percentage of issued share capital of the Company (%)
Zhou Jian	Held by controlled corporation (Note)	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 wholly owned by him.

Save as disclosed above, as at 30 June 2011, 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 2011, so far as is known to the Directors and the chief executives of the Company, the following persons 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.

### Ordinary shares of HK\$0.01 each

Name of Shareholder	Capacity	Total number of shares	Approximate percentage of issued share capital the Company (%)
Wise Sun Holdings Limited	Beneficial owner (Note 1)	2,610,395,180	26.55
Bright Ace Holdings Limited	Held by controlled corporation (Note 1)	2,610,395,180	26.55
Zhou Jian	Held by controlled corporation (Note 1)	2,610,395,180	26.55
Mass Channel Investment Limited	Beneficial owner (Note 2)	1,750,000,000	17.80
Xu Chun Sheng (former name was "Xu Kai")	Held by controlled corporation (Note 2)	1,750,000,000	17.80
Fortune Source International Limited	Beneficial owner (Note 3)	1,125,000,000	11.44
Zhang Xiaoqun	Held by controlled corporation (Note 3)	1,125,000,000	11.44
Oriental Fortune Investments Limited	Beneficial owner (Note 4)	950,000,000	9.66
Che Tao	Held by controlled corporation (Note 4)	950,000,000	9.66

## **SUBSTANTIAL SHAREHOLDERS** *(Continued)*

*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.

Save as disclosed above, the Directors and the chief executives 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 2011, 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.

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

A banking facility ("Facility") with the principal amount of HK\$6 million provided by a bank in Hong Kong for an indirectly-owned subsidiary of the Company (the "Subsidiary"), among the Entertainment Media Segment which was discontinued by the end of December 2010, has imposed certain specific performance obligations on the Company, pursuant to which, the Company shall not (i) hold less than 51% of the Subsidiary's equity interests effectively and (ii) hold less than 100% of equity interest in an intermediate wholly-owned subsidiary of the Company which held the Subsidiary. The bank shall have the right to demand for repayment of all outstanding amounts due by the Subsidiary under the Facility, unless otherwise approved by the bank, if there is any breach of the aforesaid conditions. As at 30 June 2011, the outstanding loan principal of this Facility amounted to approximately HK\$4.9 million and the original last monthly instalment repayment should be in the year 2014.

## **DISCLOSURE PURSUANT TO PARAGRAPH 13.21 OF CHAPTER 13 OF THE LISTING RULES** *(Continued)*

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 by the end of December 2010. The aforesaid bank had issued demand letters to the Subsidiary and its intermediate holding company. The bank already took legal action against the Subsidiary and its intermediate holding company in respect of the Facility. However, there was no corporate guarantee issued by 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 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 2011, 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;
- (b) 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
- (c) 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 Code. The service contracts of all the independent non-executive directors have a termination notice requirement of one month.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Board 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. 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 operation and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 with the directors.

By Order of the Board

**Zhou Jian**

*Chairman*

Hong Kong, 23 August 2011