Notes to the condensed accounts:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated accounts of Sun Innovation Holdings Limited, formerly known as Mansion Holdings Limited, (the "Company") and its subsidiaries (together the "Group") as at and for the six months ended 30th June 2003 have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 (revised) – Interim Financial Reporting issued by the Hong Kong Society of Accountants ("HKSA").

The unaudited condensed consolidated accounts should be read in conjunction with the annual accounts of the Group as at and for the year ended 31st December 2002.

The accounting policies and method of computation used in the preparation of the condensed consolidated accounts are consistent with those used in the annual accounts as at and for the year ended 31st December 2002 except that the Group has changed its accounting policy with respect to deferred taxation following the adoption of SSAP 12 (revised) – Income Taxes issued by the HKSA, which is effective for accounting periods commencing on or after 1st January 2003.

In prior years, deferred taxation was provided for at the current taxation rate in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Under SSAP 12 (revised), deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts, based on the tax rates enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The adoption of SSAP12 (revised) has no significant effect on the Group's results and financial positions for the current or prior accounting periods.

2. Turnover and segment information

In the second half year of 2002, the Group disposed of certain of its wholly-owned subsidiaries which were principally engaged in building services contracting activities for installation of fire protection and fighting systems to independent third parties. Subsequent to the disposal, the Group has reorganised its operational structure and classified its operations as follows:

(i) fire protection and suppression;

(ii) property investment; and

(iii) telecommunications.

Comparative figures have been reclassified to confirm to the current period's presentation.

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

	Six months ended 30th June 2003			
	Continuing operations			
	Fire protection and suppression HK$'000	Property investment HK$'000	Telecom-munications HK$'000	Total HK$'000
Revenue	21,595	1,754	9	23,358
Segment results	(2,048)	(481)	(1,083)	(3,612)
Unallocated revenue				393
Unallocated costs				(8,568)
Finance costs				(303)
Loss before taxation				(12,090)
Taxation				409
Minority interests				215
Loss attributed to shareholders				(11,466)

2. Turnover and segment information *(continued)*

Six months ended 30th June 2002

	Continuing operations			Discontinued operations	Total
	Fire protection and suppression HK$'000	Property investment HK$'000	Total HK$'000	Building services contracting HK$'000	HK$'000
Revenue	20,939	2,010	22,949	10,943	33,892
Segment results	2,625	1,972	4,597	(2,851)	1,746
Interest income			37	–	37
Unallocated costs			(11,718)	–	(11,718)
Finance costs			(251)	–	(251)
Loss before taxation			(7,335)	(2,851)	(10,186)
Taxation			(172)	–	(172)
Minority interests			(959)	–	(959)
Loss attributed to shareholders			(8,466)	(2,851)	(11,317)

An analysis of the Group's revenue and contribution to operating profit/(loss) for the period by geographical segment is as follows:

	Revenue Six months ended 30th June		**Contribution to profit/(loss) Six months ended 30th June**	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Continuing operations				
Hong Kong	**15,767**	14,791	**(9,024)**	(10,025)
Mainland China	**7,984**	8,195	**(2,442)**	1,559
	23,751	22,986	**(11,466)**	(8,466)
Discontinued operations				
Hong Kong	**–**	10,943	**–**	(2,851)
	23,751	33,929	**(11,466)**	(11,317)

3. Operating loss

Operating loss is stated after crediting/charging the following:

	Six months ended 30th June	
	2003	2002
	HK$'000	HK$'000
Crediting		
Gain on disposal of a subsidiary	**–**	2,015
Write-back of unclaimed payables	**–**	2,020
Charging		
Loss on disposal of fixed assets	**6**	28
Provision for litigation cases	**750**	–
Staff costs (including directors' emoluments)	**7,880**	11,363
Amortisation of goodwill and patent	**2,373**	2,232
Depreciation of fixed assets	**1,903**	2,506

4. Taxation

The amount of tax credit/(charge) in the condensed consolidated profit and loss accounts represents:

	Six months ended 30th June	
	2003	2002
	HK$'000	HK$'000
Current tax		
Hong Kong profits tax		
– over provision in prior years	**494**	–
Overseas tax	**(85)**	(172)
Tax credit/(charge)	**409**	(172)

No provision has been made for Hong Kong profits tax as the Group has no assessable profits for the current period. The tax overprovided for the prior years represents Hong Kong profits tax provided at the rate of 16% on the assessable profit of the prior years.

Overseas tax for the period represents the provision for People's Republic of China income tax at the rate of 33% on the estimated assessable income of the Group for the period.

5. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2003 (six months ended 30th June 2002: Nil).

6. Loss per share

The calculation of basic loss per ordinary share is based on the Group's loss attributable to the shareholders of HK$11,466,000 (2002: loss of HK$11,317,000) and the weighted average number of 4,301,992,046 (2002: 4,182,438,973) ordinary shares in issue during the six months ended 30th June 2003.

The exercise of share options would have anti-dilutive effect on the basic loss per share and accordingly no diluted loss per share for the period is presented.

7. Significant capital expenditure

During the period, the Group purchased fixed assets totalling HK$8,482,000.

8. Trade receivables

The Group normally allows an average credit period of 60 days to trade customers. Included in trade and other receivables are trade receivables and their ageing analysis as at 30th June 2003 is as follows:

	30th June 2003	31st December 2002
	HK$'000	HK$'000
0 – 30 days	**3,820**	4,061
31 – 60 days	**3,087**	5,891
61 – 90 days	**2,711**	1,779
Over 90 days	**3,860**	6,813
	13,478	18,544

9. Trade payables

Included in trade and other payables are trade payables and their ageing analysis as at 30th June 2003 is as follows:

	30th June 2003	31st December 2002
	HK$'000	HK$'000
0 – 30 days	**3,120**	6,595
31 – 60 days	**1,373**	1,780
61 – 90 days	**1,248**	762
Over 90 days	**2,538**	1,208
	8,279	10,345

10. Provision

During the period ended 30th June 2003, the Company made an additional provision of HK$750,000 for an outstanding exposure in an outstanding litigation against the Company's performance guarantee given in 1997 for contract undertaken by a former associated company of the Group.

BUSINESS REVIEW

The Year 2003 is a new milestone to the Group and new challenge to the new management of the Group who was appointed on 14th March 2003. The incidence of Severe Acute Respiratory Syndrome ("SARS"), which swept across Hong Kong, PRC and other Asian countries and cities in March this year, has further plagued the local and PRC economy in such global economic stagnancy.

The consolidated turnover of the Group amounted to HK$23,358,000, decreased by 31.1% when compared to that of the corresponding period last year which includes the turnover of the discontinued operations. Gross profit amounted to approximately HK$11,108,000, dropped by 18.4%. Loss for the period attributable to shareholders amounted to HK$11,466,000, enlarged by 1.3% as compared to that of the corresponding period last year.

BUSINESS REVIEW *(continued)*

The shareholders' funds were increased to HK$164,292,000 and the net current assets amounted to HK$13,040,000 as at 30th June 2003, instead of net current liabilities of HK$153,000 as at 31st December 2002.

Fire Protection and Suppression Segment

The Fire Protection and Suppression Segment maintained stable business and its revenue of the period under review was HK$21,595,000 which is similar to that of the corresponding period last year. However, the Segment suffered a loss of approximately HK$2,048,000 because the joint venture in Shanghai, PRC ("Mansion Wananda") faced unexpected downturn of business during SARS period and lower gross profit margin. In Hong Kong, the Segment continued to perform the fire services improvement works to the government buildings under the Architectural Services Department's term contracts and carry out the fire services maintenance work for our major clients, e.g. Hsin Chong Real Estate Management Limited, Hong Kong Conventional Exhibition Centre, CLP Property Services Limited, MTRC and KCRC's Light Rail Division. The workshop in Yuen Long provides the fire extinguisher maintenance services and gas refilling services and has more than 100 clients, including MTRC, Hongkong Land (Property Management) Ltd. and PCCW. Mansion Wananda has successfully solicited some new clients via its established network and the management has been putting more efforts in the costs control to increase the profit margin.

Property Investment Segment

The Group has several investment properties in Hong Kong and Guangzhou, PRC. Most of the properties are leased out.

The turnover of the Property Investment Segment amounted to HK$1,754,000, a decrease of 12.7% as compared to the corresponding period last year. The decrease of the turnover was resulted by the termination of a 6-year lease of a property situated in Hong Kong. The loss of the Segment was mainly resulted by an increase in depreciation expenses and legal expenses. After then, such property has been successfully leased out.

BUSINESS REVIEW *(continued)*

Telecommunications Segment

The Group established a new Telecommunications Segment in April 2003 and preliminarily launched its first service – the wholesale voice and corporate IDD services in June 2003. As the segment is still in investment stage, the loss of the segment was approximately HK$1,083,000 for the six months ended 30th June 2003.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to adopt prudent funding and treasury policies. During the period under review, the Group has obtained long-term debt financing to support the operations and the Company had issued shares to settle the prepaid rental and to acquire certain fixed assets. As at 30th June 2003, the Group had cash and bank balances of approximately HK$6.5 million (including pledged deposit of approximately HK$1 million), bank overdrafts of approximately HK$3.4 million and short-term loan of RMB1 million and current portion of long-term bank loan at HK$0.8 million.

In March 2003, the Group issued 200 million shares to settle the prepaid rental at HK$13.1 million and to acquire, with HK$1 million cash, furniture and fixtures from a former tenant. Details of the issue have been made in the announcement dated 7th February 2003.

The Group obtained a long-term loan of HK$10 million from a financial institution in April 2003 with the pledge of an investment property in Hong Kong. The loan is repayable by 120 monthly instalments, maturing in 2013. The bank borrowings are interest bearing at prevailing market rates.

In addition, the Group changed its principal banker to DBS Bank (Hong Kong) Limited in June 2003. Accordingly, the previous banking facilities of HK$15 million were replaced by new banking facilities of HK$25 million, comprising a HK$10 million 10-year mortgage loan and HK$15 million short-term facilities with pledge of an investment property in Hong Kong which was previously pledged to a former principal banker. The new banking facilities are interest bearing at prevailing market rates.

BUSINESS REVIEW *(continued)*

As at 30th June 2003, the Group has pledged properties with a total net book value of HK$120 million for banking facilities totalling HK$35 million and has placed a fixed deposit at US$135,000 for a short-term loan of RMB1 million.

The Group's gearing ratio, representing the Group's total liabilities divided by the shareholders' funds of the Group, as at 30th June 2003 is 0.21 (at 31st December 2002: 0.26).

CAPITAL REORGANISATION AND NAME CHANGE

The shareholders of the Company had approved a capital reorganisation scheme and the change of the company name on 30th May 2003. Under the reorganisation, par value of each issued share had been reduced from HK$0.1 per share to HK$0.01 per share. Details of the capital reorganisation have been disclosed in the circular dated 25th April 2003 and the annual report of the Company for the year ended 31st December 2002.

EXCHANGE RATES EXPOSURE

Most of the income and expenditure of the Group were denominated either in Renminbi or Hong Kong dollars. In view of the stability of the exchange rate between these two currencies, the Group has not been subject to material exchange rate fluctuation exposure and thus no financial instruments have been adopted for hedging purposes.

CONTINGENT LIABILITIES

Save as disclosed in Liquidity and Financial Resources above, as at 30th June 2003, there was a material outstanding litigation which was commenced by a third party contractor in April 2002, claiming against a bank which had served a third party notice to the Company, for a performance bond amounting to HK$8.6 million given by the Company to a former subsidiary in order for it to undertake an installation project with the third party contractor. The Company issued a fourth party notice to seek recourse from the former subsidiary. The directors, having sought independent legal advice, are of the opinion that the case is unclear at this stage as the amount of liability could not be measured with sufficient reliability. Accordingly, no provision has been made in the accounts in respect of the claim.