

2007 Interim Report

Sun Innovation Holdings Limited

Incorporated in Bermuda with limited liability

Stock Code: 547

The Board of Directors of Sun Innovation Holdings Limited (the "Company") presents the unaudited interim financial report for the six months ended 30 June 2007 of the Company and its subsidiaries ("the Group") together with the comparative figures in 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Continuing operations			
Turnover	2	20,291	16,224
Cost of sales		(12,547)	(7,589)
Gross profit		7,744	8,635
Other revenue		651	923
Selling and distribution expenses		(46)	(365)
Administrative expenses		(30,413)	(25,629)
Operating loss	3	(22,064)	(16,436)
Finance costs	4	(2,041)	(1,145)
Loss before taxation		(24,105)	(17,581)
Taxation	5	17	–
Loss for the period from continuing operations		(24,088)	(17,581)
Discontinued operations			
Loss for the period from discontinued operations	6	(9,763)	(884)
		(33,851)	(18,465)
Attributable to:			
Equity holders of the Company		(33,851)	(18,264)
Minority interest		–	(201)
		(33,851)	(18,465)
Loss per share			
From continuing and discontinued operations	7		
– Basic		HK\$0.37	HK\$0.21
– Diluted		HK\$0.37	HK\$0.21
From continuing operations			
– Basic		HK\$0.26	HK\$0.20
– Diluted		HK\$0.26	HK\$0.20

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

		Unaudited	Audited
		30 June	31 December
		2007	2006
	Notes	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment		4,914	5,834
Investment properties		163,001	163,001
Intangible assets	8	989	14,768
Finance lease receivables		–	250,725
		168,904	434,328
Current Assets			
Inventories – good for resale		1,554	1,816
Trade receivables, other receivables and prepayments	9	21,583	23,440
Finance lease receivables		–	71,944
Bank balances and cash		4,243	12,417
		27,380	109,617
Current Liabilities			
Trade payables, other payables and accruals	10	17,947	40,588
Bank borrowings – due within one year, secured		22,334	30,769
Obligations under finance leases		–	52,935
Tax payable		277	574
		40,558	124,866
Net Current Liabilities		(13,178)	(15,249)
Total Assets less Current Liabilities		155,726	419,079

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 JUNE 2007

		Unaudited	Audited
		30 June	31 December
		2007	2006
	Notes	HK\$'000	HK\$'000
Non-current Liabilities			
Bank borrowings – due after one year, secured		26,468	15,497
Obligations under finance leases		–	280,017
Convertible bonds		9,926	–
Deferred tax liabilities		5,629	4,996
		42,023	300,510
Net Assets		113,703	118,569
EQUITY			
Share capital	11	100,173	90,173
Reserves		8,563	28,392
Equity attributable to equity holders of the Company		108,736	118,565
Minority interest		4,967	4
Total equity		113,703	118,569

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company											
	Share capital	Share premium	Convertible preference shares reserve	Land and building revaluation reserve	Convertible bonds equity reserves	Share-based payment reserve	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	76,955	-	9,792	7,355	-	7,994	174,162	(983)	(140,415)	134,860	204	135,064
Conversion of convertible preference shares	13,000	18,329	(9,792)	-	-	-	-	-	-	21,537	-	21,537
Issue of shares on exercise of share options	218	218	-	-	-	-	-	-	-	436	-	436
Recognition of equity-settled share-based payment	-	-	-	-	-	442	-	-	-	442	-	442
Net gain not recognised in the consolidated income statement	-	-	-	-	-	-	-	636	-	636	-	636
- Exchange difference	-	-	-	-	-	-	-	636	-	636	-	636
Loss for the period	-	-	-	-	-	-	-	-	(18,264)	(18,264)	(201)	(18,465)
At 30 June 2006	90,173	18,547	-	7,355	-	8,436	174,162	(347)	(158,679)	139,647	3	139,650
Distribution of contributed surplus	-	-	-	-	-	-	(9,018)	-	-	(9,018)	-	(9,018)
Release upon disposal of a subsidiary	-	-	-	-	-	-	-	140	-	140	-	140
Net loss not recognised in the consolidated income statement	-	-	-	-	-	-	-	(425)	-	(425)	-	(425)
- Exchange difference	-	-	-	-	-	-	-	(425)	-	(425)	-	(425)
Loss for the period	-	-	-	-	-	-	-	-	(11,779)	(11,779)	1	(11,778)
At 31 December 2006	90,173	18,547	-	7,355	-	8,436	165,144	(632)	(170,458)	118,565	4	118,569

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED
(Continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Attributable to equity holders of the Company											
	Share capital	Share premium	Convertible preference shares reserve	Land and building revaluation reserve	Convertible bonds equity reserves	Share-based payment reserve	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	90,173	18,547	-	7,355	-	8,436	165,144	(632)	(170,458)	118,565	4	118,569
Conversion of convertible bonds	10,000	10,000	-	-	(1,494)	-	-	-	-	18,506	-	18,506
Release upon lapse of share options	-	-	-	-	-	(4,885)	-	-	4,885	-	-	-
Recognition of equity-settled share-based payment	-	-	-	-	-	1,604	-	-	-	1,604	-	1,604
Distribution of contributed surplus	-	-	-	-	-	-	(165,144)	-	165,144	-	-	-
Issue of convertible bonds	-	-	-	-	4,078	-	-	-	-	4,078	-	4,078
Contribution from minority shareholder	-	-	-	-	-	-	-	-	-	-	4,963	4,963
Net loss not recognised in the consolidated income statement	-	-	-	-	-	-	-	(166)	-	(166)	-	(166)
- Exchange difference	-	-	-	-	-	-	-	-	(33,851)	(33,851)	-	(33,851)
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2007	100,173	28,547	-	7,355	2,584	5,155	-	(798)	(34,280)	108,736	4,967	113,703

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Net cash used in operating activities	(42,585)	(12,321)
Net cash (used in) generated from investing activities	(725)	18,546
Net cash generated from (used in) financing activities	35,136	(16,907)
Decrease in cash and cash equivalents	(8,174)	(10,682)
Cash and cash equivalents at 1 January	12,417	26,918
Cash and cash equivalents at 30 June	4,243	16,236
Analysis of balances of cash and cash equivalents		
Bank balances and cash	4,243	16,469
Bank overdrafts	-	(233)
	4,243	16,236

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 2007 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 should be read in conjunction with the annual financial statements of the Group as at and for the year ended 31 December 2006.

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties, 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 2006.

The Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA, that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2007.

The Group considered that the adoption of the new and revised HKFRSs has had no material impact on the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007.

2. Turnover and segment information

An analysis of the Group's turnover for the period, for both continuing and discontinued operations, is as follows:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Continuing operations	20,291	16,224
Discontinued operations (<i>note 6</i>)	4,820	37,488
	25,111	53,712

Business segments

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

- (i) property investment;
- (ii) entertainment media including telecommunication value added services;
- (iii) media shopping;
- (iv) telecommunication; and
- (v) financial services.

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 2007						Total HK\$'000
	Property Investment	Entertainment Media	Media Shopping	Telecom- munication	Financial Services	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover							
External sales	2,562	14,512	7,048	989	-	-	25,111
Inter-segment sales	-	116	-	-	-	(116)	-
Total	2,562	14,628	7,048	989	-	(116)	25,111
Segment results	(4,647)	(5,206)	(2,152)	(55)	(24)		(12,084)
Other revenue							855
Unallocated corporate expenses							(16,741)
Operating loss							(27,970)
Finance costs							(5,715)
Loss before taxation							(33,685)
Taxation							(166)
Loss for the period							(33,851)

2. Turnover and segment information *(Continued)*

Business segments *(Continued)*

	Six months ended 30 June 2006						Total HK\$'000
	Property Investment HK\$'000	Entertainment Media HK\$'000	Media Shopping HK\$'000	Telecom- munication HK\$'000	Financial Services HK\$'000	Elimination HK\$'000	
	Turnover						
External sales	2,219	48,955	894	1,576	68	-	53,712
Inter-segment sales	-	23	-	-	-	(23)	-
Total	2,219	48,978	894	1,576	68	(23)	53,712
Segment results	647	2,898	(1,449)	(200)	5		1,901
Other revenue							923
Unallocated corporate expenses							(14,301)
Operating loss							(11,477)
Finance costs							(6,982)
Loss before taxation							(18,459)
Taxation							(6)
Loss for the period							(18,465)

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 30 June 2007 HK\$'000	2006 HK\$'000	Six months ended 30 June 2007 HK\$'000	2006 HK\$'000
Continuing operations:				
Hong Kong	11,792	10,913	(21,374)	(14,428)
Mainland China	7,542	3,744	(2,659)	(2,951)
United States of America	989	1,576	(55)	(202)
Elimination	(32)	(9)	-	-
	20,291	16,224	(24,088)	(17,581)
Discontinued operations:				
Japan	4,904	37,579	(9,763)	(884)
Elimination	(84)	(91)	-	-
	4,820	37,488	(9,763)	(884)
	25,111	53,712	(33,851)	(18,465)

3. Operating loss

Operating loss has been arrived at after crediting and charging:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
<i>Crediting:</i>		
Interest income	85	121
<i>Charging:</i>		
Staff costs (including directors' remuneration)	23,078	13,287
Amortisation of intangible assets	198	2,425
Depreciation of property, plant and equipment	1,160	1,253

4. Finance costs

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Continuing operations:		
Imputed interest on convertible preference shares	–	319
Effective interest expense on convertible bonds	658	–
Interests on:		
Borrowings wholly repayable within five years	702	288
Borrowings not wholly repayable within five years	681	538
	2,041	1,145
Discontinued operations:		
Finance charges on obligations under finance leases	3,662	5,837
Interests on borrowings wholly repayable within five years	12	–
	3,674	5,837
	5,715	6,982

5. Taxation

The amount of tax charge in the unaudited condensed consolidated income statement represents:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Continuing operations:		
Current tax – overseas	98	–
Deferred tax	(115)	–
	(17)	–
Discontinued operations:		
Current tax – overseas (<i>note 6</i>)	183	6
	166	6

No provision for Hong Kong profits tax has been made for the period as the Group has no assessable profit arising in Hong Kong (2006: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the appropriate current rates of taxation prevailing in the countries in which the Group's subsidiaries operate.

6. Discontinued operations

The Group entered into (i) a lease termination deed dated 9 March 2007 with Quants to terminate the lease contracts; and (ii) management termination deed dated 9 March 2007 with Frepar to terminate the management contracts. These termination deeds are of retrospective effect from 1 December 2006. No party of the termination deeds is required to pay any consideration in relation to the termination of the lease contracts and management contracts. The Group's assets and liabilities in relation to the finance lease arrangements with Quants and Frepar, mainly comprising finance lease receivables and finance lease payables, should be derecognised pursuant to the above termination deeds.

6. Discontinued operations (Continued)

The results and cash flows of the discontinued operations included in the condensed consolidated income statement and the condensed consolidated cash flow statement are set out below.

	Notes	Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Revenue	2	4,820	37,488
Expenses		(14,400)	(38,366)
Loss before taxation		(9,580)	(878)
Taxation	5	(183)	(6)
Gain on disposal of operation		(9,763)	(884)
		-	-
Loss for the period from discontinued operations		(9,763)	(884)
Cash flows from discontinued operations:			
Net cash (outflow)/inflow from operating activities		(8,330)	3,756
Net cash inflow from investing activities		-	12,016
Net cash outflow from financing activities		(22)	(8,546)
Net cash flows		(8,352)	7,226

7. Loss per share

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

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
For continuing and discontinued operations		
Loss for the period for the purpose of basic and diluted loss per share – net loss for the period	33,851	18,264
	Number of shares	
	2007	2006
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	91,006,389	85,302,051
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
For continuing operations		
Loss for the period for the purpose of basic and diluted loss per share – net loss for the period	33,851	18,264
Less: Loss for the period from discontinued operations	(9,763)	(884)
Loss for the period for the purpose of basic and diluted loss per share from continuing operations	24,088	17,380

The computation of diluted loss per share does not assume the exercise of share options and conversion of convertible bonds since their exercise and conversion would result in an anti-dilution effect in the basic loss per share.

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

8. Intangible assets

	Cable use rights	Licensing rights	Total
	HK\$'000	HK\$'000	HK\$'000
COST			
As at 1 January 2007	3,636	22,363	25,999
Disposals	–	(22,363)	(22,363)
Exchange fluctuation	18	–	18
As at 30 June 2007	3,654	–	3,654
ACCUMULATED AMORTISATION			
As at 1 January 2007	2,455	8,776	11,231
Amortisation	198	–	198
Disposals	–	(8,776)	(8,776)
Exchange fluctuation	12	–	12
As at 30 June 2007	2,665	–	2,665
NET BOOK VALUE			
As at 30 June 2007	989	–	989
As at 31 December 2006	1,181	13,587	14,768

9. Trade receivables, other receivables and prepayments

The Group normally allows an average credit period of 60 days to trade customers. Included in the balances are trade receivables and the ageing analysis, net of provision, is as follows:

	30 June 2007	31 December 2006
	HK\$'000	HK\$'000
Current	3,501	8,840
31 to 60 days	1,241	6,419
61 to 90 days	8,000	2,071
Over 90 days	4,022	1,251
	16,764	18,581
Other receivables and prepayments	4,819	4,859
	21,583	23,440

10. Trade payables, other payables and accruals

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

	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
Current	727	3,919
31 to 60 days	441	5,457
61 to 90 days	6,039	126
Over 90 days	736	5,516
	7,943	15,018
Other payables and accruals	10,004	9,692
Payable for acquisition of a subsidiary	-	15,878
	17,947	40,588

11. Share capital

	Number of	Amount
	ordinary shares	HK\$'000
Ordinary shares of HK\$1 each		
Authorised:		
At 31 December 2006 and 30 June 2007	730,000,000	730,000
Issued and fully paid:		
At 31 December 2006 and 1 January 2007	90,173,056	90,173
Conversion of convertible bonds	10,000,000	10,000
At 30 June 2007	100,173,056	100,173

12. Related party transactions

As disclosed in note 6 to these financial statements, during the six months ended 30 June 2007, the Group had the following material related party transactions:

- (a) A subsidiary of the Company has borne finance charges on obligations under finance leases due to a substantial shareholder of the Company of approximately HK\$3,662,000 (2006: HK\$5,837,000).
- (b) A subsidiary of the Company has received management service fee income of approximately HK\$530,000 (2006: HK\$591,000) from a substantial shareholder of the Company for the provision of general administrative and corporate services.
- (c) For the six months ended 30 June 2006, a subsidiary of the Company has received management service fee income of HK\$125,000 from a company controlled by a Director of the Company for the provision of general administrative and corporate services provided. The Director resigned from the position on 21 March 2006.
- (d) A substantial shareholder of the Company has granted a credit facility of HK\$20,000,000 (2006: 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 (2006: nil).

As at balance sheet date, the Group had the following balances with related parties:

- (a) Amount due from related parties of the Company in respect of general administrative and corporate services provided of approximately HK\$94,000 (2006: HK\$275,000) is included in the trade, other receivables and prepayments. The amount is unsecured, interest-free and with no fixed repayment terms.
- (b) As at 31 December 2006, the obligation under finance leases of a subsidiary of the Company of HK\$332,952,000 is due to a substantial shareholder of the Company, for the leasing of digital kiosks.
- (c) As at 31 December 2006, the finance lease receivables of a subsidiary of the Company of HK\$322,669,000 are due from a shareholder of the Company, for the leasing of digital kiosks.
- (d) As at 31 December 2006, payable for acquisition of a subsidiary of approximately HK\$15,878,000 represents payable to a shareholder of the Company, in relation to the Company's acquisition of a subsidiary.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

BUSINESS REVIEW

For the six months ended 30 June 2007, the Group recorded an unaudited consolidated turnover of approximately HK\$25 million, decreased by 53% comparing to the corresponding period last year. The gross profit for the period under review was approximately HK\$13 million, decreased by 43%. Loss for the period amounted to approximately HK\$34 million represented increase of 83% comparing to the corresponding period last year. The increase of loss was mainly due to the termination of the digital kiosk business in Japan announced in March 2007.

The finance costs decrease from HK\$7 million to approximately HK\$6 million, representing 18% decrease comparing to the corresponding period last year. The decrease was mainly due to the termination of finance lease charges of kiosks which are deployed in content distribution business in Japan.

The equity attributable to equity holders of the Company were decreased to approximately HK\$109 million, representing 22% decrease comparing to the corresponding period last year and the net current liabilities were amounted to approximately HK\$13 million as at 30 June 2007.

Property Investment Segment

For the six months ended 30 June 2007, this Segment generated total revenue at approximately HK\$3 million, a slight increase of 15% comparing to the corresponding period last year. However, the loss of this segment increased significantly to HK\$5 million, comparing to the corresponding period last year. The significant increase in loss was due to the increase in professional, experts and consultants costs for conducting researches and reports relating to a potential property investment related business opportunity in Macau.

As at 30 June 2007, all shops of the properties situated at Citicorp Centre in Hong Kong are leased out to third parties. For the properties in Suzhou, 80% of the 20 flats are leased out to third parties as well.

BUSINESS REVIEW (Continued)

Entertainment Media Segment

For the period under review, the turnover of this Segment was approximately HK\$15 million, representing decrease of 70% comparing to the corresponding period of last year. The gross profit of this Segment for the period under review was approximately HK\$10 million, representing decrease of 48% comparing to the corresponding period of last year. The decrease was mainly due to the termination of finance lease of digital kiosks business in Japan.

In Hong Kong and Macau, Cellcast (Asia) Limited ("CAL") trading under the brand "Yeahmobile", continues to maintain its leading position in the industry and offers a variety of value-added services, (including mobile and MP3 ring tones, wallpaper and Java games download) and Interactive Voice Response platform for certain famous mobile network operators and mobile platform solutions for other corporate clients. During the period under review, CAL continues to diversify its products and service in order to maintain market share and to reduce the impact of continuing margin erosion by music content owners and downward pressure on selling prices.

In Japan and Hawaii, due to the termination of the management agreement and lease agreement in March 2007 with the Japanese partner and the lessor respectively with retrospective effect from 1 December 2006, the Group would close the relevant subsidiaries in Japan and Hawaii thereafter and would restructure the operation in Hawaii.

Media Shopping Segment

For the period under review, the turnover of this segment increased from HK\$1 million to HK\$7 million, representing an increase of 688% comparing to the corresponding period of last year. The gross profit and the operating loss amounted to HK\$127,000 and HK\$2 million respectively, representing an increase of 144% and 49% respectively comparing to the corresponding period of last year.

Despite problems associated with the delivery of airtime as originally envisaged by our partner in China, sales has been picking up in the first half of the year. The Group will continue to co-operate with our partner in China to explore business opportunities while streamlining the operations at the same time.

BUSINESS REVIEW (Continued)

Telecommunication Segment

For the period under review, the turnover of this Segment amounted to approximately HK\$1 million. The loss of this Segment amounted to approximately HK\$55,000 for the six months ended 30 June 2007. The 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.

Financial Services Segment

The turnover of this Segment was not significant to the Group during the period under review. The Group will continue to explore any potential business opportunity in the second half of the year 2007.

CAPITAL

In March 2007, the Company had issued three redeemable convertible bonds ("CBs") in the amount of HK\$5.4 million, HK\$7.2 million and HK\$20 million respectively with the rights to convert in aggregate of 17,000,000 shares of the Company. The proceed raised by these CBs were used for general working capital of the Group and to repay short term revolving loans and other short term obligations. Details of the issue of these CBs are disclosed in the Company's announcements dated 15 and 16 February 2007. In June 2007, a CB holder has converted the CB in the amount of HK\$20 million into 10,000,000 shares of the Company. Therefore, as at 30 June 2007 the remaining principal of aggregate outstanding CBs was amounted to HK\$12.6 million.

In July 2007, the Company has entered into a placing agreement with a placing agent to place in aggregate of 10,000,000 new Placing Shares and 5,000,000 unlisted Warrants to not less than 6 independent investors respectively. Details of the transaction are disclosed in the Company's announcement dated 23 July 2007.

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

As at 30 June 2007, the Group has short-term bank loans at approximately HK\$22 million and long-term bank loans at approximately HK\$26 million, cash and bank balances of approximately HK\$4 million. Most of the borrowings are denominated in Hong Kong dollars and less than 1% of all borrowings are denominated in US dollars.

As at 30 June 2007, the Group has banking facilities totalling approximately HK\$70 million and unsecured revolving term loan facility of HK\$20 million from a substantial shareholder. All the bank facilities are secured by the Group's investment properties of net book value of approximately HK\$163 million and personal guarantee of a director of the Company and a director of a subsidiary up to the extent of totalling HK\$390,000. In addition, the Company and certain of its subsidiaries provide a bank of cross guarantees totalling HK\$35 million in respect of a shared banking facility to be used by the Company and these subsidiaries. As at 30 June 2007, the unused credit facilities were approximately HK\$42 million.

The Group's current assets as at 30 June 2007 were approximately HK\$27 million while the current liabilities were approximately HK\$41 million. The Group continues to adopt conservative funding and treasury policies. As at 30 June 2007, the Group's current ratio was 0.68 (at 31 December 2006: 0.88).

The Group's gearing ratio, representing the Group's total liabilities divided by the equity attributable to equity holders of the Company, as at 30 June 2007 is 0.76 (at 31 December 2006: 3.59). All bank and other borrowings are borrowed at floating interest rates.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's turnover, expenses, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, United States dollars and Renminbi. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the period under review. Japanese Yen fluctuated in a greater extent. The Japanese Yen based revenue and assets decreased substantially following the termination of the management agreement and lease agreement in March 2007. The Group did not consider it necessary to substantially hedge currency risk through forward exchange contracts upon consideration of currency risks involved and costs of obtaining such cover. During the period under review, the Group did not use financial instruments for hedging purposes.

CONTINGENT LIABILITIES

As at 30 June 2007, the Company has only one outstanding litigation case. This litigation case was commenced by a bank against a bankrupted third party and joint venture, which had served a third party notice to the Company, for outstanding balance of overdraft facilities. After obtaining the advice from a lawyer, the directors are of the opinion that the case has been dormant for a number of years and is remote, and therefore no provision has been made in the financial statements in respect of the alleged claims.

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

EMPLOYEE OF THE GROUP

The Group has adopted 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.

As at 30 June 2007, the total headcount of the Group was 100.

PROSPECT

In view of the high growth potential of property market in Macau, the Group plans to expand the existing operation of the property investment business and is actively pursuing property related business opportunities in Macau.

We will focus and deploy substantial resources on property-related projects in Macau and plan to conduct fund raising activities in the near future to finance potential acquisition opportunities. Regarding the Media Shopping business, the Group will continue to streamline the operation and co-operate with our partner in China to explore business opportunities.

Looking forward, the Group will continue to consolidate resources and explore ways to boost cost effectiveness and growth of its business.

SHARE OPTION SCHEMES

The movements in the options granted under the employee share option scheme for the six months ended 30 June 2007 were as follows:

	Subscription Price/share HK\$	Exercisable period	Option grant date	No. of options granted '000	No. of options held at 1 January 2007 '000	No. of options exercised/ lapsed during the period '000	No. of options outstanding at 30 June 2007 '000
Directors:							
Michele Matsuda	5.78	25/5/2005-24/5/2015	25/5/2005	2,000	2,000	-	2,000
Yiu Ying Fai*	3.255	26/5/2006-25/5/2008	26/5/2006	100	100	-	100
	1.90	10/1/2007-9/1/2010	10/1/2007	300	-	-	300
Leung To Kwong, Valiant	1.90	10/1/2007-9/1/2010	10/1/2007	300	-	-	300
Cheung Chi Fai, Frank	1.90	10/1/2007-9/1/2010	10/1/2007	300	-	-	300
Daijiro Nishihama**	6.50	26/1/2005-25/1/2007	26/1/2005	300	300	300	-
Continuous contract employees (1)	6.90	5/1/2005-4/1/2007	5/1/2005	40	40	40	-
Continuous contract employees (2)	6.50	26/1/2005-25/1/2007	26/1/2005	55	40	40	-
Continuous contract employees (3)	1.90	10/1/2007-9/1/2009	10/1/2007	340	-	60	280
Others (1)	6.90	5/1/2005-4/1/2007	5/1/2005	20	20	20	-
Others (2)	3.965	19/1/2006-18/1/2008	19/1/2006	200	200	-	200

* Mr. Yiu Ying Fai resigned as Vice Chairman and Executive Director of the Company on 25 July 2007.

** Mr. Nishihama resigned as Director of the Company on 21 March 2006.

SHARE OPTION SCHEMES (Continued)

The fair value of employee options granted on 10 January was determined at HK\$1.90 per option by using Black-Scholes-Merton Option Pricing Model. The key valuation parameters as adopted in assessing the fair value of the share options included the exercise price, risk free rate, nature of the share options, expect option period, volatility and expected dividend yield. The valuation assumed that there will be no substantial fluctuation in the economic outlook and specific industry outlook affecting the continuity of the Group's business and the price of the underlying securities. It also assumed that there will be no material change in the existing political, legal, technological, fiscal or economic condition which may significantly affect the continuity of the Group's business. During the six months ended 30 June 2007, the weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised by the employees was HK\$2.575.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2007, 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:

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES (Continued)

(a) Ordinary shares of HK\$1.00 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>)	8,057,000	8.04
Leung To Kwong, Valiant	Beneficial owner	173,000	0.17
Cheung Chi Fai, Frank	Beneficial owner	125,000	0.12

Note: Mr. Matsuda held 8,056,000 Shares through e-Compact Limited, a company wholly owned by Anglo Japan Enterprises Limited, which is in turn beneficially owned by him, the remaining 1,000 shares are beneficially held by himself.

(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	2,000,000	2.00
Yiu Ying Fai*	Beneficial owner	400,000	0.40
Leung To Kwong, Valiant	Beneficial owner	300,000	0.30
Cheung Chi Fai, Frank	Beneficial owner	300,000	0.30

* Mr. Yiu Ying Fai resigned as Vice Chairman and Executive Director of the Company on 25 July 2007.

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

Save as disclosed above, as at 30 June 2007, 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 2007, 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.

SUBSTANTIAL SHAREHOLDERS (Continued)**(a) Ordinary shares of HK\$1.00 each of the Company**

Name of Shareholder	Capacity	Total number of Shares	Approximate percentage of issued share capital of the Company (%)
Quants Inc.	Beneficial owner	22,747,500	22.71
Ichiya Co., Ltd.	Beneficial owner	10,000,000	9.98
T&C Holdings, Inc.	Held by controlled corporation (<i>Note 1</i>)	9,000,000	8.98
Michele Matsuda	Beneficial owner and held by controlled corporation (<i>Note 2</i>)	8,057,000	8.04
Freparnetworks Inc.	Beneficial owner	5,015,000	5.01

Note 1: T&C Holdings, Inc. held 9,000,000 Shares through its beneficially owned company, i.e. T&C Capital Limited.

Note 2: Mr. Matsuda held 8,056,000 Shares through e-Compact Limited, a company wholly owned by Anglo Japan Enterprises Limited, which is in turn beneficially owned by him, the remaining 1,000 shares are beneficially held by himself.

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

Name of Shareholder	Capacity	Total number of Shares	Approximate percentage of issued share capital of the Company (%)
Michele Matsuda	Beneficial owner	2,000,000	2.00

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 2007, 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 period under review. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the period under review.

CORPORATE GOVERNANCE

During the six months ended 30 June 2007, 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 2007 with the directors.

By Order of the Board
Michele Matsuda
Chairman

Hong Kong, 14 September 2007