



# 2008

## *Interim Report*



***Sun Innovation Holdings Limited***

*Incorporated in Bermuda with limited liability*

***Stock Code : 547***



THE 48<sup>th</sup>  
MISS  
INTERNATIONAL  
BEAUTY PAGEANT

2008

in MACAO

8 Nov 2008



## CONTENTS

	<i>Page(s)</i>
Condensed Consolidated Income Statement	2
Condensed Consolidated Balance Sheet	3
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Cash Flow Statement	8
Notes to the Financial Statements	9
Business Review & Prospect	21
Other Information	27

The Board of Directors of Sun Innovation Holdings Limited (the "Company") presents the unaudited interim financial report of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2008 (the "Review Period") together with the comparative figures for the corresponding period in 2007.

**CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2008*

		<b>Six months ended 30 June</b>	
		<b>2008</b>	2007
	Notes	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>			
Turnover	2	<b>14,866</b>	20,291
Cost of sales		<b>(6,389)</b>	(12,547)
Gross profit		<b>8,477</b>	7,744
Other revenue		<b>1,449</b>	1,285
Selling and distribution expenses		<b>(18)</b>	(46)
Administrative expenses		<b>(38,722)</b>	(31,047)
Operating loss	3	<b>(28,814)</b>	(22,064)
Finance costs	4	<b>(1,905)</b>	(2,041)
Loss before taxation		<b>(30,719)</b>	(24,105)
Taxation	5	<b>326</b>	17
Loss for the period from continuing operations		<b>(30,393)</b>	(24,088)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	6	-	(9,763)
		<b>(30,393)</b>	(33,851)
Attributable to:			
Equity holders of the Company		<b>(30,420)</b>	(33,851)
Minority interests		<b>27</b>	-
		<b>(30,393)</b>	(33,851)
<b>Loss per share:</b>	7		(Restated)
From continuing and discontinued operations			
– Basic		<b>HK\$0.02</b>	HK\$0.04
– Diluted		<b>N/A</b>	N/A
From continuing operations			
– Basic		<b>HK\$0.02</b>	HK\$0.03
– Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

		Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		4,320	4,252
Investment properties		165,500	164,440
Intangible assets	8	592	790
		<b>170,412</b>	169,482
<b>Current Assets</b>			
Inventories – goods for resale		25	37
Trade receivables, other receivables and prepayments	9	18,187	14,259
Bank balances and cash		9,608	13,868
		<b>27,820</b>	28,164
<b>Current Liabilities</b>			
Trade payables, other payables and accruals	10	17,622	18,022
Bank borrowings – due within one year, secured		31,006	938
Convertible bonds		12,804	11,213
Tax payable		525	367
		<b>61,957</b>	30,540
Net Current Liabilities		<b>(34,137)</b>	(2,376)
Total Assets less Current Liabilities		<b>136,275</b>	167,106

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 JUNE 2008

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2008</b>	2007
	Notes	<b>HK\$'000</b>	HK\$'000
<b>Non-current Liabilities</b>			
Bank borrowings – due after one year, secured		<b>7,842</b>	8,399
Deferred tax liabilities		<b>5,664</b>	5,856
		<b>13,506</b>	14,255
Net Assets		<b>122,769</b>	152,851
<b>EQUITY</b>			
Share capital	11	<b>147,004</b>	147,004
Reserves		<b>(26,426)</b>	3,804
Equity attributable to equity holders of the Company		<b>120,578</b>	150,808
Minority interests		<b>2,191</b>	2,043
Total equity		<b>122,769</b>	152,851

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Warrants reserve	Land and building revaluation reserve	Convertible bonds-equity component	Share-based payments reserve	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	90,173	18,547	-	7,355	-	8,436	165,144	(632)	(170,458)	118,565	4	118,569
Net loss recognised directly in the equity	-	-	-	-	-	-	-	(166)	-	(166)	-	(166)
- Exchange differences	-	-	-	-	-	-	-	-	-	(166)	-	(166)
Loss for the period	-	-	-	-	-	-	-	-	(33,851)	(33,851)	-	(33,851)
Total recognised income and expenses for the period	-	-	-	-	-	-	-	(166)	(33,851)	(34,017)	-	(34,017)
Issue of convertible bonds	-	-	-	-	4,078	-	-	-	-	4,078	-	4,078
Issue of shares upon 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 payments	-	-	-	-	-	1,604	-	-	-	1,604	-	1,604
Transfer of contributed surplus to accumulated losses	-	-	-	-	-	-	(165,144)	-	165,144	-	-	-
Contribution from minority shareholder	-	-	-	-	-	-	-	-	-	-	4,963	4,963
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 STATEMENT OF CHANGES IN EQUITY – UNAUDITED** (Continued)  
 FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Warrants reserve	Land and building revaluation reserve	Convertible bonds-equity component	Share-based payments reserve	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2007	100,173	28,547	-	7,355	2,584	5,155	-	(798)	(34,280)	108,736	4,967	113,703
Net loss recognised directly in the equity												
- Exchange differences	-	-	-	-	-	-	-	(189)	-	(189)	-	(189)
Loss for the period	-	-	-	-	-	-	-	-	(31,021)	(31,021)	83	(30,938)
Total recognised income and expenses for the period	-	-	-	-	-	-	-	(189)	(31,021)	(31,210)	83	(31,127)
Issue of shares on exercise of share options	80	122	-	-	-	(50)	-	-	-	152	-	152
Issue of shares and warrants in placement	10,000	4,200	500	-	-	-	-	-	-	14,700	-	14,700
Issue of shares and warrants in open offer	36,751	17,139	1,691	-	-	3,442	-	-	-	59,023	-	59,023
Issue of convertible bonds	-	-	-	-	748	-	-	-	-	748	-	748
Reverse of equity-settled share-based payments upon lapse of share options	-	-	-	-	-	(641)	-	-	-	(641)	-	(641)
Adjustment to lapsed share options	-	-	-	-	-	27	-	-	(27)	-	-	-
Deferred tax arising from equity component of convertible bonds	-	-	-	-	(705)	-	-	-	-	(705)	-	(705)
Release upon disposal subsidiaries	-	-	-	-	-	-	-	5	-	5	-	5
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(3,007)	(3,007)
At 31 December 2007	147,004	50,008	2,191	7,355	2,627	7,933	-	(982)	(65,328)	150,808	2,043	152,851



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

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Warrants reserve	Land and building revaluation reserve	Convertible bonds-equity component	Share-based payments reserve	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	147,004	50,008	2,191	7,355	2,627	7,933	-	(982)	(65,328)	150,808	2,043	152,851
Net loss recognised directly in the equity												
– Exchange differences	-	-	-	-	-	-	-	190	-	190	-	190
Loss for the period	-	-	-	-	-	-	-	-	(50,420)	(50,420)	27	(50,393)
Total recognised income and expenses for the period	-	-	-	-	-	-	-	190	(50,420)	(50,230)	27	(50,203)
Release upon lapse of share options	-	-	-	-	-	(3,920)	-	-	3,920	-	-	-
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	121	121
At 30 June 2008	147,004	50,008	2,191	7,355	2,627	4,013	-	(792)	(91,828)	120,578	2,191	122,769

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Net cash used in operating activities	<b>(32,506)</b>	(42,603)
Net cash used in investing activities	<b>(972)</b>	(725)
Net cash generated from financing activities	<b>29,197</b>	35,136
Decrease in cash and cash equivalents	<b>(4,281)</b>	(8,192)
Cash and cash equivalents at 1 January	<b>13,868</b>	12,417
Effect of foreign exchange rate changes	<b>21</b>	18
Cash and cash equivalents at 30 June	<b>9,608</b>	4,243
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<b>9,608</b>	4,243

## 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 2008 have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 – "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements as at and for the year ended 31 December 2007.

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

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>3</sup>
HKAS 32	Financial instruments: "Presentation" <sup>1</sup>
HKFRS 2	Amendment "Share-based payment – Vesting conditions and cancellations" <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>3</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer loyalty programmes <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2008.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009.

## 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	
	2008	2007
	HK\$'000	HK\$'000
Continuing operations	14,866	20,291
Discontinued operations ( <i>note 6</i> )	–	4,820
	<hr/>	<hr/>
	14,866	25,111

### 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; and
- (iv) telecommunication.

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 2008					Total HK\$'000
	Property Investment	Entertainment Media	Media Shopping	Telecom- munication	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover						
External sales	3,007	8,800	2,072	987	-	14,866
Inter-segment sales	-	84	-	-	(84)	-
<b>Total</b>	<b>3,007</b>	<b>8,884</b>	<b>2,072</b>	<b>987</b>	<b>(84)</b>	<b>14,866</b>
<b>Segment results</b>	<b>2,102</b>	<b>33</b>	<b>(1,915)</b>	<b>8</b>		<b>228</b>
Other revenue						1,449
Unallocated corporate expenses						(30,491)
Operating loss						(28,814)
Finance costs						(1,905)
Loss before taxation						(30,719)
Taxation						326
Loss for the period						(30,393)

## 2. Turnover and segment information (Continued)

### Business segments (Continued)

	Six months ended 30 June 2007					
	Property	Entertainment	Media	Telecom-	Elimination	Total
	Investment	Media	Shopping	munication		
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)	–
<b>Total</b>	<b>2,562</b>	<b>14,628</b>	<b>7,048</b>	<b>989</b>	<b>(116)</b>	<b>25,111</b>
Segment results	1,386	(5,206)	(2,152)	(55)		(6,027)
Other revenue						855
Unallocated corporate expenses						(22,798)
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)*

### Geographical segments

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

	Turnover		Contribution to loss for the period	
	Six months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
Hong Kong	<b>11,142</b>	11,792	<b>(27,102)</b>	(21,374)
Mainland of China	<b>2,737</b>	7,542	<b>(796)</b>	(2,659)
United States of America	<b>987</b>	989	<b>(2,211)</b>	(55)
Macau	-	-	<b>(311)</b>	-
Elimination	-	(32)	-	-
	<b>14,866</b>	20,291	<b>(30,420)</b>	(24,088)
Discontinued operations:				
Japan	-	4,904	-	(9,763)
Elimination	-	(84)	-	-
	-	4,820	-	(9,763)
	<b>14,866</b>	25,111	<b>(30,420)</b>	(33,851)

### 3. Operating loss

Operating loss has been arrived at after crediting and charging:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<i>Crediting:</i>		
Interest income	<b>17</b>	85
<i>Charging:</i>		
Staff costs (including directors' remuneration)	<b>18,034</b>	23,078
Amortisation of intangible assets	<b>197</b>	198
Depreciation of property, plant and equipment	<b>997</b>	1,160

### 4. Finance costs

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations:</b>		
Imputed interest on convertible bonds	<b>1,591</b>	658
Interests on:		
Borrowings wholly repayable within five years	<b>150</b>	702
Borrowings not wholly repayable within five years	<b>164</b>	681
	<b>1,905</b>	2,041
<b>Discontinued operations:</b>		
Finance charges on obligations under finance leases	–	3,662
Interests on borrowings wholly repayable within five years	–	12
	–	3,674
	<b>1,905</b>	5,715



## 5. Taxation

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

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations:</b>		
Current tax – overseas		
Current period	<b>133</b>	98
Overprovision in respect of prior years	<b>(196)</b>	–
Deferred tax	<b>(263)</b>	(115)
	<b>(326)</b>	(17)
<b>Discontinued operations:</b>		
Current tax – overseas ( <i>note 6</i> )	–	183
	<b>(326)</b>	166

No provision for Hong Kong profits tax has been made for the period as the Group has no assessable profit arising in Hong Kong (2007: 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' subsidiaries operate.

## 6. Discontinued operations

The Group entered into (i) a lease termination deed dated 9 March 2007 with Quants Inc. (“Quants”) to terminate the lease contracts; and (ii) management termination deed dated 9 March 2007 with Freparnetwork Inc. (“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.

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.

		<b>Six months ended 30 June</b>	
		<b>2008</b>	2007
	Notes	<b>HK\$'000</b>	HK\$'000
Revenue	2	–	4,820
Expenses		–	(14,400)
Loss before taxation		–	(9,580)
Taxation	5	–	(183)
Loss for the period from discontinued operations		–	(9,763)
Cash flows from discontinued operations:			
Net cash outflow from operating activities		–	(8,330)
Net cash outflow from financing activities		–	(22)
Net cash flows		–	(8,352)

## 7. Loss per share

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

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
For continuing and discontinued operations		
Loss for the period for the purpose of basic loss per share – loss for the period attributable to equity holders of the Company	<b>30,420</b>	33,851
	<hr/>	
	<b>Number of shares</b>	
	<b>2008</b>	2007
		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>1,470,040,740</b>	910,063,893
	<hr/>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
For continuing operations		
Loss for the period for the purpose of basic loss per share – loss for the period attributable to equity holders of the Company	<b>30,420</b>	33,851
Less: Loss for the period from discontinued operations	–	(9,763)
	<hr/>	
Loss for the period for the purpose of basic loss per share from continuing operations	<b>30,420</b>	24,088
	<hr/>	
The weighted average number of ordinary shares issue for the period ended 30 June 2007 was adjusted for comparative purpose to reflect the subdivision of shares at the end of 2007.		
Diluted loss per share for the periods ended 30 June 2008 and 2007 has not been disclosed, as convertible bonds, share options and warrants outstanding during the periods had an anti-dilutive effect on the basic loss per share for these periods.		

## 8. Intangible assets

	<b>Cable use rights</b>
	HK\$'000
COST	
As at 1 January 2008	3,649
Exchange fluctuation	(1)
	<hr/>
As at 30 June 2008	3,648
	<hr/>
ACCUMULATED AMORTISATION	
As at 1 January 2008	2,859
Charge for the period	197
	<hr/>
As at 30 June 2008	3,056
	<hr/>
NET BOOK VALUE	
As at 30 June 2008	592
	<hr/>
As at 31 December 2007	790
	<hr/>

## 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:

	<b>30 June 2008</b>	31 December 2007
	<b>HK\$'000</b>	HK\$'000
Current	<b>1,175</b>	1,663
31 to 60 days	<b>1,144</b>	1,129
61 to 90 days	<b>2,324</b>	1,633
Over 90 days	<b>1,944</b>	3,878
	<hr/>	
Other receivables and prepayments	<b>6,587</b>	8,303
	<b>11,600</b>	5,956
	<hr/>	
	<b>18,187</b>	14,259
	<hr/>	

## 10. Trade payables, other payables and accruals

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

	<b>30 June 2008 HK\$'000</b>	31 December 2007 HK\$'000
Current	<b>260</b>	722
31 to 60 days	<b>208</b>	208
61 to 90 days	<b>89</b>	56
Over 90 days	<b>8,839</b>	8,047
	<b>9,396</b>	9,033
Other payables and accruals	<b>8,226</b>	8,989
	<b>17,622</b>	18,022

## 11. Share capital

### (i) Ordinary Shares

	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 31 December 2007 and 30 June 2008	7,300,000,000	730,000
Issued and fully paid:		
At 31 December 2007 and 1 January 2008	1,470,040,740	147,004
At 30 June 2008	1,470,040,740	147,004

### (ii) Convertible Preference Shares

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

There are no CPSs issued in the years 2007 and 2008.

## 12. Related party transactions

- (i) As disclosed in note 6 to these financial statements, during the six months ended 30 June 2008, the Group had the following material related party transactions:
  - (a) In prior period, 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.
  - (b) A subsidiary of the Company has received management service fee income of approximately HK\$405,000 (2007: HK\$530,000) from a subsidiary of a substantial shareholder of the Company for the provision of general administrative and corporate services.
  - (c) A subsidiary of the Company received telecommunication revenue of HK\$987,000 (2007: HK\$989,000) from a subsidiary of a substantial shareholder.
  - (d) A substantial shareholder of the Company has granted a credit facility of HK\$20,000,000 (2007: 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 (2007: nil).
- (ii) As at balance sheet date, the Group had the following balances with related parties:
  - (a) Amount due from a subsidiary of a substantial shareholder of the Company in respect of general administrative and corporate services provided of approximately HK\$74,000 (2007: HK\$82,000) is included in the trade, other receivables and prepayments. The amount is unsecured, interest-free and with no fixed repayment terms.
  - (b) Amount due from a subsidiary of a substantial shareholder of the Company in respect of telecommunication revenue of approximately HK\$165,000 (2007: HK\$165,000) is included in the trade, other receivables and prepayments. The amount is unsecured, interest-free and with no fixed repayment terms.

## 13. Capital Commitment

The Group did not have any significant capital commitment as at 30 June 2008 and 31 December 2007.

## 14. Comparative figures

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

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

## **BUSINESS REVIEW**

For the Review Period, the Group recorded an unaudited consolidated turnover of HK\$14,866,000 (2007: HK\$20,291,000). The gross profit for the Review Period was HK\$8,477,000 (2007: HK\$7,744,000). Loss for the period amounted to HK\$30,393,000 (2007: HK\$33,851,000). The loss attributable to equity holders of the Company were HK\$30,420,000 (2007: HK\$33,851,000) and the total assets of the Group were amounted to HK\$198,232,000 as at 30 June 2008 (at 31 December 2007: HK\$197,646,000).

### **Property Investment Segment**

For the Review Period, the total revenue of this Segment was approximately HK\$3,007,000 (2007: HK\$2,562,000). The profit of this Segment increased to HK\$2,102,000, comparing to the corresponding period last year. The significant increase was mainly due to the increase in renewed rental value.

As at 30 June 2008, majority of the shops situated at Citicorp Centre in Hong Kong are leased out to third parties. For the properties in Suzhou, 80% of the service apartments are leased out to third parties as well.

### **Entertainment Media Segment**

This Segment consisted of the mobile entertainment business and the leisure and entertainment events business.

The turnover of this Segment was approximately HK\$8,884,000 (2007: HK\$14,628,000). The decrease of turnover was mainly due to the discontinued operation of digital kiosk business in Japan and Hawaii in the last year. For the remaining mobile entertainment business, the gross profit margin has improved by 10% as Cellcast (Asia) Limited ("Cellcast") switched the business model by using platform sales through telecommunication companies to reduce cost.

Cellcast continues its leading multi-media advertising, content and services provider role in Hong Kong and Macau with operating brand of Yeah Mobile and Ping Pong Boy, etc.

## **BUSINESS REVIEW** *(Continued)*

### **Entertainment Media Segment** *(Continued)*

For the leisure and entertainment events business, S.I. Macau Entertainment Company Limited ("SIME"), a wholly-owned subsidiary of the Company, entered into a Pageant Hosting Agreement with ING Co., Ltd. and Asia and Pacific Media Limited in March 2008 and obtained the sole and exclusive rights to host the Miss International Pageant ("MI Pageant") for the coming five years at maximum up to December 2012. Details of the agreement were disclosed in the Company's circular dated 25 March 2008. In addition, the Group also announced in March 2008 that the Group would hold Miss Macau Pageant ("MM Pageant") in 2008 and onwards. The MM Pageant was successfully held on 7 September 2008 in Macau and the MI Pageant will also be held in Macau in early November 2008. The performance of this business will be reported in the forthcoming annual report of the year ended 31 December 2008 which will be published in the second quarter of 2009.

### **Media Shopping Segment**

For the Review Period, the turnover of this Segment was approximately HK\$2,072,000 (2007: HK\$7,048,000). The gross profit and the Segment loss amounted to HK\$150,000 and HK\$1,915,000 respectively (2007: HK\$127,000 and HK\$2,152,000 respectively). During the Review Period, the business faced a lot of challenges. Most of the air-time of TV channels in the Mainland of China ("China") was allocated to the promotions for Beijing 2008 Olympic Games which caused severe competition for and high cost of obtaining limited air-time. However, the management utilised the strengths and synergy of this Segment for the MI Pageant under the Entertainment Media Segment. Through the business network connections and resources of this Segment, the Group has successfully contracted with several TV channels in China for broadcasting the MI Pageant. These TV channels will cover most of major cities and provinces in China which can further promote the Group's businesses and the image of MI Pageant in China.

### **Telecommunication Segment**

For the Review Period, the turnover of this Segment amounted to approximately HK\$987,000 (2007: HK\$989,000). The profit of this Segment amounted to approximately HK\$8,000 (2007: loss of HK\$55,000). 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.



## **BUSINESS REVIEW** *(Continued)*

### **Financial Services Segment**

No turnover was recorded during the Review Period. The Group will continue to explore any potential business opportunity in the second half of the year 2008.

### **CAPITAL**

After the completion of the Open Offer and Share Subdivision in November and December 2007 respectively, the existing issued and unissued shares of the Company were subdivided into 10 subdivided shares at HK\$0.10 each (the "Shares"). The board lot size was changed from 1,000 shares to 10,000 Shares. As a result, the adjusted exercise/conversion prices and the adjusted number of shares to be issued upon exercise/conversion of the outstanding share options, convertible bonds ("CBs"), existing warrants and warrants issued pursuant to the Open Offer were announced accordingly. Details of the arrangement and adjustment are disclosed in the Company's announcement dated 15 January 2008.

In addition, the Company has outstanding redeemable CBs in the aggregate principal amount of HK\$12.6 million which will mature on 12 September 2008. Currently, the Company is in negotiation with the CB holders in relation to, inter alia, the extension of the maturity date of the CBs. Further announcement will be made by the Company as and when appropriate.

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

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, general banking facilities on secured basis and non-regular contributions from the shareholders and other potential investors.

As at 30 June 2008, the Group has banking facilities amounted to HK\$47 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 with carrying value of approximately HK\$140 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 subsidiaries provide cross guarantees to a bank totalling HK\$35 million in respect of a shared banking facility to be used by the Company and these subsidiaries. As at 30 June 2008, the available facilities were approximately HK\$25 million.

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

As at 30 June 2008, the Group has short-term bank loans at approximately HK\$31 million and long-term bank loans at approximately HK\$8 million, cash and bank balances of approximately HK\$10 million. Most of the borrowings are denominated in Hong Kong dollars and less than 1% of all borrowings are denominated in US dollars. The maturity profile of the Group's bank borrowings as at 30 June 2008 was spread over a period of twelve years, with approximately 80% repayable within one year, 11% repayable between two to five years and 9% repayable over five years.

On 17 July 2008, the Group has revised one of the existing banking facilities by the forms of mortgage loan, revolving term loan and installment loan and the total of these banking facilities was increased to HK\$64 million. The repayment schedule was extended from twelve years to fifteen years. The Group continues to adopt conservative funding and treasury policies.

The Group's current assets as at 30 June 2008 were approximately HK\$28 million while the current liabilities were approximately HK\$62 million. As at 30 June 2008, the Group's current ratio was 0.45 (at 31 December 2007: 0.92).

The Group's gearing ratio, representing the Group's bank loan and CBs divided by the equity attributable to equity holders of the Company, as at 30 June 2008 was 42.8% (at 31 December 2007: 13.6%). All bank and other borrowings were borrowed at floating interest rates.

## **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"), Macau dollars ("MOP"), United States dollars ("USD") and Japanese Yen ("JPY"). The exchange rates of MOP and USD against HKD remained relatively stable during the Review Period. The Group has an exchange exposure to RMB because the Group's certain assets and business are located and operated in China and the revenues and expenses are in RMB. The Group is taking the view that the net exchange exposure from RMB appreciation will benefit the Group. Certain expenses of the Group incurred in JPY which had fluctuated in a relatively greater extent in the Review Period. However, the amount of JPY expenses incurred were immaterial, the appreciation of the JPY against the HKD did not have material adverse effect on the operation of the Group under the Review Period.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

*(Continued)*

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

## **CONTINGENT LIABILITIES**

As at 30 June 2008, 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 and tax protection scheme may be offered to executive directors.

As at 30 June 2008, the total headcount of the Group was 79.

## **PROSPECT**

Through the hosting of the MI Pageant and the MM Pageant in Macau in 2008 and onwards, the Group establishes an effective platform for raising the Group's international profile and extensive network in this unique city. The Group will continue actively to explore various business opportunities for long-term development and benefit our valued shareholders and investors.

### **PROSPECT** *(Continued)*

On 2 September 2008, the Company has announced a potential property investment in Rota Island of the Commonwealth of the Northern Mariana Islands of the United States. The Group may plan to expand its entertainment-related property investment business in this north-western Pacific Ocean island located in Pacific Rim Region. Details of the current status of this potential investment are disclosed in the Company's announcement dated 2 September 2008.

Since Macau's economy has flourished in recent years which creates abundant business opportunities, the Group will continue its strategies of expanding its presence in property investment and entertainment media businesses in Macau and also in other cities in Pacific Rim Region.

## SHARE OPTION SCHEMES

The movements in the options granted under the employee share option scheme for the six months ended 30 June 2008 were as follows:

Subscription Price/share*	Exercisable period	Option grant date	No. of options granted	No. of options held at 1 January 2008*	No. of options exercised/lapsed during the period	No. of options outstanding at 30 June 2008	
HK\$			'000	'000	'000	'000	
<b>Directors:</b>							
Michele Matsuda	0.549	25/5/2005-24/5/2015	25/5/2005	2,000	21,075	-	21,075
Leung To Kwong, Valiant	0.180	10/1/2007-9/1/2010	10/1/2007	300	3,161	-	3,161
Yiu Ying Fai <sup>#1</sup>	0.309	26/5/2006-25/5/2008	26/5/2006	100	1,054	1,054	-
	0.180	10/1/2007-24/7/2008	10/1/2007	300	3,161	-	3,161
Cheung Chi Fai, Frank <sup>#2</sup>	0.180	10/1/2007-27/11/2008	10/1/2007	300	3,161	-	3,161
Continuous contract							
employees	0.180	10/1/2007-9/1/2009	10/1/2007	340	1,897	632	1,265
Others	0.376	19/1/2006-18/1/2008	19/1/2006	200	2,108	2,108	-
Quants Inc. <sup>#3</sup>	0.215	30/11/2007-30/5/2009	30/11/2007	8,000	80,000	80,000	-

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

<sup>#1</sup> Mr. Yiu Ying Fai resigned as Director of the Company on 25 July 2007.

<sup>#2</sup> Mr. Cheung Chi Fai, Frank resigned as Director of the Company on 28 November 2007.

<sup>#3</sup> Quants Inc. had surrendered its share option on 26 March 2008.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

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

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

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

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

### (b) Share Options

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

Save as disclosed above, as at 30 June 2008, 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 2008, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

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

Name of Shareholder	Capacity	Total number of shares	Approximate percentage of issued share capital of the Company (%)
Quants Inc.	Beneficial owner	560,395,180	38.12
Ichiya Co., Ltd.	Beneficial owner	100,000,000	6.80
Michele Matsuda	Beneficial owner and held by controlled corporation ( <i>Note</i> )	80,570,000	5.48

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



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

### **(b) Warrants**

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Total number of warrants</b>	<b>Approximate percentage of issued share capital of the Company (%)</b>
Quants Inc.	Beneficial owner	164,076,800	11.16

### **(c) Share Options**

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

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 2008, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

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

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

## CORPORATE GOVERNANCE

During the six months ended 30 June 2008, 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 Review Period.

## 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 2008 with the directors.

By Order of the Board

**Michele Matsuda**

*Chairman*

Hong Kong, 12 September 2008