2012 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 condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 (the "Review Period") together with the comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		For the six months ended 30 June	
		2012	2011
	Notes	**HK$'000**	HK$'000
Continuing operations			
Revenue	2	**110,473**	93,049
Cost of sales and services		**(100,003)**	(84,310)
Gross profit		**10,470**	8,739
Other income and net gains or losses		**503**	280
Selling and distribution expenses		**(20)**	(23)
Administrative expenses and other net operating expenses		**(11,047)**	(13,230)
Finance costs	4	**(366)**	(1,535)
Loss on deregistration and dissolution of subsidiaries, net		**–**	(365)
Fair value gains on investment properties	8	**3,200**	14,000
Allowance for doubtful debts on trade and other receivables		**–**	(2)
Profit before taxation	3	**2,740**	7,864
Taxation	5	**(800)**	(222)
Profit for the period from continuing operations		**1,940**	7,642

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	**For the six months ended 30 June 2012 HK$'000**	2011 HK$'000
Discontinued operations	6		
Loss for the period from discontinued operations		**(789)**	(563)
Profit for the period		**1,151**	7,079
Profit attributable to:			
– Owners of the Company		**1,296**	7,130
– Non-controlling interest		**(145)**	(51)
		1,151	7,079
Profit per share from continuing and discontinued operations:	7		
– Basic and diluted		**HK cent 0.013**	HK cent 0.076
Profit per share from continuing operations:	7		
– Basic and diluted		**HK cent 0.020**	HK cent 0.081

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	For the six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Profit for the period	**1,151**	7,079
Other comprehensive income		
Currency translation differences	**–**	(289)
Reclassification adjustment of exchange fluctuation reserve upon deregistration and dissolution of subsidiaries	**–**	323
Other comprehensive income for the period, net of tax	**–**	34
Total comprehensive income for the period	**1,151**	7,113
Total comprehensive income attributable to:		
– Owners of the Company	**1,296**	7,164
– Non-controlling interest	**(145)**	(51)
	1,151	7,113

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Notes	Unaudited 30 June 2012 HK$'000	Audited 31 December 2011 HK$'000
Non-current assets			
Property, plant and equipment		**886**	1,065
Investment properties	8	**135,600**	132,400
		136,486	133,465
Current assets			
Trading merchandise goods		**2,811**	1,059
Trade receivables, other receivables and prepayments	9	**39,100**	34,649
Bank balances and cash		**243,828**	182,342
		285,739	218,050
Current liabilities			
Trade payables, other payables and accruals	10	**14,967**	13,323
Bank borrowings		**7,313**	4,854
Tax payable		**1,130**	330
		23,410	18,507
Net current assets		**262,329**	199,543
Total assets less current liabilities		**398,815**	333,008

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2012

	Note	Unaudited 30 June 2012 HK$'000	Audited 31 December 2011 HK$'000
Non-current liabilities			
Bank borrowings		**64,656**	–
Deferred tax liabilities		**999**	999
		65,655	999
Net assets		**333,160**	332,009
EQUITY			
Share capital	11	**98,327**	98,327
Reserves		**236,776**	235,480
Equity attributable to owners of the Company		**335,103**	333,807
Non-controlling interest		**(1,943)**	(1,798)
Total equity		**333,160**	332,009

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the Company									
	Share capital HK$'000 *(Note 11)*	Share premium HK$'000	Convertible bonds – equity component HK$'000	Land and buildings revaluation reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
As at 1 January 2011	88,827	210,901	7,531	7,355	49,510	(2,591)	(68,383)	293,150	(1,596)	291,554
Changes in equity for the six months ended 30 June 2011										
Profit/(loss) for the period	–	–	–	–	–	–	7,130	7,130	(51)	7,079
Other comprehensive income	–	–	–	–	–	34	–	34	–	34
Total comprehensive income for the period	–	–	–	–	–	34	7,130	7,164	(51)	7,113
Issue of shares upon conversion of convertible bonds	9,500	34,146	(7,531)	–	–	–	–	36,115	–	36,115
As at 30 June 2011 and 1 July 2011	98,327	245,047	–	7,355	49,510	(2,557)	(61,253)	336,429	(1,647)	334,782
Changes in equity for the six months ended 31 December 2011										
Loss for the period	–	–	–	–	–	–	(5,194)	(5,194)	(151)	(5,345)
Other comprehensive income	–	–	–	–	–	2,572	–	2,572	–	2,572
Total comprehensive income for the period	–	–	–	–	–	2,572	(5,194)	(2,622)	(151)	(2,773)
As at 31 December 2011	98,327	245,047	–	7,355	49,510	15	(66,447)	333,807	(1,798)	332,009

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

(Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the Company								
	Share capital HK$'000 *(Note 11)*	**Share premium** HK$'000	**Land and buildings revaluation reserve** HK$'000	**Contributed surplus** HK$'000	**Exchange fluctuation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interest** HK$'000	**Total equity** HK$'000
As at 1 January 2012	98,327	245,047	7,355	49,510	15	(66,447)	333,807	(1,798)	332,009
Changes in equity for the six months ended 30 June 2012									
Profit/(loss) for the period	–	–	–	–	–	1,296	1,296	(145)	1,151
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	1,296	1,296	(145)	1,151
As at 30 June 2012	98,327	245,047	7,355	49,510	15	(65,151)	335,103	(1,943)	333,160

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	For the six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Net cash used in operating activities	**(6,297)**	(29,736)
Net cash generated from/(used in) investing activities	**669**	(13)
Net cash generated from/(used in) financing activities	**67,115**	(1,238)
Increase/(decrease) in cash and cash equivalents	**61,487**	(30,987)
Cash and cash equivalents at 1 January	**182,342**	261,067
Effect of foreign exchange rate changes	**(1)**	1
Cash and cash equivalents at 30 June	**243,828**	230,081
Represented by:		
Bank balances and cash	**243,828**	230,081

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 – "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis, as modified for investment properties, which is at fair value.

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011.

In the current period, the Group has adopted all the new or revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new or revised HKFRSs had no material effect on the financial statements of the Group for both the current and prior reporting periods.

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

The Group has not early adopted the following new/revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these HKFRSs will have no material impact on the financial statements of the Group:

		Effective date
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities	(ii)
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income	(i)
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities	(iii)
HKFRS 9	Financial Instruments	(iv)
HKFRS 10	Consolidated Financial Statements	(ii)
HKFRS 12	Disclosure of Interests in Other Entities	(ii)
HKFRS 13	Fair Value Measurement	(ii)
HKAS 27 (2011)	Separate Financial Statements	(ii)

Effective date:

(i) Annual periods beginning on or after 1 July 2012
(ii) Annual periods beginning on or after 1 January 2013
(iii) Annual periods beginning on or after 1 January 2014
(iv) Annual periods beginning on or after 1 January 2015

2. Revenue and segment information

Reportable segments

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

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

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

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

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

	Continuing operations						Discontinued operations							
	Property investment		Trading		Total		Entertainment media		Telecommunication		Total		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**2,618**	2,549	**107,855**	90,500	**110,473**	93,049	**-**	–	**-**	–	**-**	–	**110,473**	93,049
Inter-segment revenue	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–
Reportable segment revenue	**2,618**	2,549	**107,855**	90,500	**110,473**	93,049	**-**	–	**-**	–	**-**	–	**110,473**	93,049
Reportable segment profit/(loss)	**1,990**	2,078	**8,016**	6,651	**10,006**	8,729	**(574)**	(453)	**-**	(3)	**(574)**	(456)	**9,432**	8,273
Reportable segment assets	**136,813**	134,152	**55,106**	45,341	**191,919**	179,493	**699**	743	**-**	–	**699**	743	**192,618**	180,236

2. Revenue and segment information *(Continued)*

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

	For the six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Profit before taxation		
Reportable segment profit (including continuing and discontinued operations)	**9,432**	8,273
Segment loss from discontinued operations	**574**	456
Other revenue and net gains or losses	**503**	280
Unallocated corporate expenses	**(10,388)**	(13,136)
Allowance for doubtful debts on trade and other receivables	**–**	32
Fair value gains on investment properties	**3,200**	14,000
Loss on deregistration and dissolution of subsidiaries, net	**–**	(365)
Finance costs	**(581)**	(1,676)
Consolidated profit before taxation from continuing operations	**2,740**	7,864

	As at	
	30 June	31 December
	2012	2011
	HK$'000	HK$'000
Assets		
Reportable segment assets	**192,618**	180,236
Unallocated bank balances and cash	**225,717**	163,767
Unallocated corporate assets	**3,890**	7,512
Consolidated total assets	**422,225**	351,515

2. Revenue and segment information *(Continued)*

(c) Geographic information

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

	For the six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Hong Kong	**2,618**	11,767
Mainland China	**107,855**	81,282
	110,473	93,049

3. Profit before taxation

	For the six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Continuing operations		
This is arrived at after charging/crediting:		
Crediting:		
Interest income	**503**	265
Charging:		
Staff costs (including directors' remuneration)	**5,158**	5,303
Loss on disposal of property, plant and equipment	**–**	20
Depreciation of property, plant and equipment	**183**	234

4. Finance costs

	Note	For the six months ended 30 June 2012 HK$'000	2011 HK$'000
Imputed interest on convertible bonds		**–**	970
Interests on:			
Borrowings wholly repayable within five years		**215**	706
Borrowings not wholly repayable within five years		**366**	–
		581	1,676
Attributable to continuing operations reported in the unaudited condensed consolidated income statement		**366**	1,535
Attributable to discontinued operations	6	**215**	141
		581	1,676

The analysis shows the finance costs of bank borrowings in accordance with the agreed scheduled repayments dates set out in the loan agreements. A term loan which contains a repayment on demand clause in the loan agreement is reclassified as "wholly repayable within five years" in this analysis. For the periods ended 30 June 2012 and 2011, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$215,000 and HK$706,000 respectively.

5. Taxation

Taxation charged in the unaudited condensed consolidated income statement represents:

	For the six months ended 30 June 2012 HK$'000	2011 HK$'000
Current taxation – Hong Kong profits tax for the period	**800**	222

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for both periods.

6. Discontinued operations

During the year ended 31 December 2010, the Group ceased its operations in entertainment media business and telecommunication business (collectively referred to as the "Discontinued Operations"). On 20 December 2010, the Group decided not to continue to finance its entertainment media business and telecommunication business. Further details are set out in the Company's announcement dated 20 December 2010. As at 31 December 2010, the Discontinued Operations ceased operation and accordingly those two segments were classified as discontinued operations in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The sales and results of the Discontinued Operations were as follows:

		For the six months ended 30 June	
		2012	2011
	Notes	**HK$'000**	HK$'000
Revenue	2	**–**	–
Cost of services		**–**	–
Gross profit		**–**	–
Administrative expenses and other net operating expenses		**(574)**	(456)
Finance costs	4	**(215)**	(141)
Written-back of allowance for doubtful debts on trade and other receivables		**–**	34
Loss before taxation		**(789)**	(563)
Taxation		**–**	–
Loss for the period from the Discontinued Operations		**(789)**	(563)

7. Profit per share

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

From continuing and discontinued operations

	For the six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Profit for the period attributable to owners of the Company for the purpose of basic profit per share	**1,296**	7,130

	Number of shares	
	2012	2011
Weighted average number of ordinary shares for the purpose of basic profit per share	**9,832,685,768**	9,394,630,212

From continuing operations

	For the six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Profit for the period for the purpose of basic profit per share from continuing operations	**1,940**	7,642

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

7. Profit per share *(Continued)*

From discontinued operations

Basic losses per share for the discontinued operations is HK cent 0.007 (2011: HK cent 0.005) per share, based on the loss for the period from the discontinued operations of HK$644,000 (2011: HK$512,000) attributable to owners of the Company and the denominators detailed above for both basic and diluted profit per share of the continuing and discontinued operations.

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

8. Investment properties

	HK$'000
Fair Value	
As at 1 January 2012	132,400
Fair value gains	3,200
As at 30 June 2012	135,600

Investment properties were valued at 30 June 2012 by DTZ Debenham Tie Leung Limited, an independent firm of professionally qualified valuers, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued, on an open market value basis. This valuation gave rise to fair value gains of HK$3,200,000 during the period (2011: HK$14,000,000).

The property rental income earned by the Group from its investment properties, most of which are leased out under operating leases, amounted to HK$2,618,000 (2011: HK$2,549,000). Direct operating expenses arising on the investment properties during the period amounted to HK$468,000 (2011: HK$418,000).

The Group's investment properties were located in Hong Kong, held under medium term leases, and pledged to secure banking facilities granted to the Group.

9. Trade receivables, other receivables and prepayments

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

	30 June 2012 HK$'000	31 December 2011 HK$'000
Trade receivables		
Current	**17,048**	3,910
1 to 30 days	**16,612**	2,184
31 to 60 days	**2,147**	3,399
61 to 90 days	**1**	4,087
Over 90 days	**1**	14,121
	35,809	27,701
Other receivables and prepayments	**3,291**	6,948
	39,100	34,649

10. Trade payables, other payables and accruals

The ageing analysis of trade payables is as follows:

	30 June 2012 HK$'000	31 December 2011 HK$'000
Trade payables		
1 to 30 days	**8,220**	4,771
31 to 60 days	**93**	1,896
61 to 90 days	**93**	93
Over 90 days	**2,979**	2,420
	11,385	9,180
Other payables and accruals	**3,582**	4,143
	14,967	13,323

11. Share capital

Ordinary shares

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 December 2011 and 30 June 2012	75,000,000,000	750,000
Issued and fully paid:		
As at 31 December 2011 and 30 June 2012	9,832,685,768	98,327

12. Related party transactions

The Group did not have any related party transaction for the both periods and there is no balance with related party as at 30 June 2012 and 31 December 2011.

13. Capital commitment

The Group did not have any significant capital commitment as at 30 June 2012 and 31 December 2011.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

BUSINESS REVIEW

Over the first half of 2012, the Company and its subsidiaries (collectively known as the "Group") recorded an unaudited consolidated turnover from its continuing operations of HK$110,473,000 (2011: HK$93,049,000), representing an increase of 19%. The gross profit of the Group from continuing operations reached HK$10,470,000 (2011: HK$8,739,000) under the Review Period, reflecting a rise of 20% compared to the previous corresponding period. Driven by the development of the Trading Segment, the overall performance of the Group has continuously improved. The total assets of the Group amounted to HK$422,225,000 as at 30 June 2012 (at 31 December 2011: HK$351,515,000). However, due to the reduction of fair value gains of investment properties, the Group reported a net profit after taxation from the continuing operations for the Review Period in the amount of HK$1,940,000 (2011: HK$7,642,000).

Property Investment Segment

The Property Investment Segment reported a turnover of HK$2,618,000 (2011: HK$2,549,000) during the Review Period, showing a mild growth of 3% compared to the last corresponding period. With favourable rental rates and occupancy, the profit of this Segment was HK$1,990,000 (2011: HK$2,078,000), remaining stable during the Review Period.

As at 30 June 2012, all shops and majority of the car parks of the properties situated at Citicorp Centre in Hong Kong were leased out. The investment properties portfolio of this Segment continues to generate stable rental income for the Group.

Trading Segment

During the Review Period, with the Group's emphasis on the development of the Trading Segment, the turnover of this Segment increased 19% to HK$107,855,000 (2011: HK$90,500,000) compared to the previous corresponding period. The turnover of the Trading Segment contributed almost 98% of the overall turnover of the Group during the Review Period. The profit of this Segment also reported an increase to HK$8,016,000 (2011: HK$6,651,000), a growth of 21% compared to the first half of 2011.

BUSINESS REVIEW *(Continued)*

Trading Segment *(Continued)*

This Segment was engaged in the trading of metal scraps (e.g. copper wire) and plastic scraps among Hong Kong, Mainland China and other countries/regions during the first half of 2012. Despite the global economic fluctuation and the downward trend of the metal market in 2012, the Trading Segment managed to uphold its performance and demonstrated steady growth. The Group would endeavour to optimise the business strategies and process in order to achieve full potential of the Trading Segment.

CAPITAL

As at 30 June 2012, the total number of issued shares of the Company was 9,832,685,768 shares and there was no convertible bond or other securities in issue.

TERMINATION OF POSSIBLE ACQUISITIONS

As disclosed in the annual report of the Company for the year of 2011, the Company had executed the Framework Agreement with Guangxi Non-ferrous Metals Group Company Limited and Guangxi Sincerity Investments & Trading Company Limited, the vendors, in respect of the possible acquisitions of certain companies which hold mines in South Africa and Cambodia and the parties might enter into a legally binding sale and purchase agreement subject to the satisfaction of due diligence.

On 29 May 2012, the Company announced that since the preparation work had taken longer time than the originally expected timeframe and the vendors require additional time for collating materials for feasibility studies and for the preparation of technical reports, all parties agreed to terminate the discussions in respect of the possible acquisitions.

Details of the termination of the possible acquisitions were disclosed in the announcement of the Company dated 29 May 2012.

MAJOR TRANSACTION / POST-BALANCE SHEET EVENT

On 13 July 2012, Ever Union Medical Services Group Limited ("Ever Union"), an indirect wholly-owned subsidiary of the Company, executed a conditional sale and purchase agreement (the "Agreement") with Shenzhen Xinhe Technology Development Company Limited ("Shenzhen Xinhe") and Beijing Jingbaiqi Asset Management Company Limited ("Beijing Jingbaiqi") (collectively the "Vendors") and their guarantors pursuant to which Ever Union has agreed to purchase and the Vendors have agreed to sell the entire registered capital of Shenzhen Tuohe Investment Development Company Limited ("Shenzhen Tuohe") subject to certain conditions (the "Proposed Acquisition").

Shenzhen Tuohe holds 70% equity interests in Shanghai Kaiyuan Hospital Investment Management Limited ("Kaiyuan Management") which owns the entire equity interests in Shanghai Kaiyuan Orthopaedic Hospital Limited ("Kaiyuan Hospital"). Kaiyuan Hospital is principally engaged in the operation of an orthopaedic hospital in Pudong New Area of Shanghai, People's Republic of China (the "PRC") which has commenced operation since 2008, with a focus and specialty on the orthopaedic operation and relevant recovery services.

The total consideration of the Proposed Acquisition shall be RMB77,000,000 and shall be paid to the Vendors (of which RMB69,300,000 shall be paid to Shenzhen Xinhe and RMB7,700,000 shall be paid to Beijing Jingbaiqi) in cash at completion. Completion of the Proposed Acquisition shall be conditional upon, inter alia, all necessary consents and approvals required to be obtained and the approval by the shareholders of the Company at a special general meeting.

Pursuant to the Agreement, the Vendors have undertaken that they will procure Shenzhen Tuohe to negotiate with Kaiyuan Management and a shareholder holding 10% equity interest in Kaiyuan Management, Jiangsu Huilong Enterprise Limited ("Jiangsu Huilong") to enter into a supplemental agreement (the "KM Supplemental Agreement") to vary certain terms of a management agreement, such that a purchase obligation therein contained will be terminated and substituted by an option to be granted by Jiangsu Huilong to Shenzhen Tuohe.

MAJOR TRANSACTION / POST-BALANCE SHEET EVENT *(Continued)*

Upon completion, the outstanding loans repayable by Shenzhen Tuohe to Shenzhen Xinhe and to Beijing Jingbaiqi will be in the amounts of RMB120,605,100 and RMB13,000,000 respectively. Ever Union has undertaken to the Vendors that, within the 12 months after completion, Ever Union will advance RMB133,605,100, by way of shareholder's loan, to Shenzhen Tuohe, which shall be used for its repayment to the Vendors of the then outstanding loans.

However, on 10 August 2012, Ever Union, the Vendors and their guarantors entered into a supplemental agreement (the "Supplemental Agreement") to amend the Agreement to the effect that: (i) the Vendors shall undertake to procure Shenzhen Tuohe to enter into the KM Supplemental Agreement (in a form and substance satisfactory to Ever Union) with Kaiyuan Management and Jiangsu Huilong on or before 31 August 2012 to terminate the purchase obligation; and (ii) the Vendors' obligation to procure Jiangsu Huilong to grant the option to Shenzhen Tuohe was removed from the Agreement.

The Proposed Acquisition constitutes a major transaction under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of the Proposed Acquisition and the Supplemental Agreement were disclosed in the Company's announcements dated 13 July and 10 August 2012 respectively.

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

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

During the Review Period, the Group had new banking facilities in form of instalment loans in principal amount of HK$67.5 million. These banking facilities were secured by the Group's investment properties with aggregate net book value of HK$135.6 million as at 30 June 2012.

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

In addition to the banking facilities mentioned above, an indirectly-owned subsidiary of the Group, among the Entertainment Media Segment which was discontinued in end of December 2010, had obtained a banking facility amounted to HK$6 million from a bank in Hong Kong in 2009 which consisted of a 5-year instalment loan. This facility was granted under the Special Loan Guarantee Scheme of The Government of the Hong Kong Special Administrative Region (the "Government") pursuant to which, the Government had provided 80% guarantee to the bank. A corporate guarantee was provided to the bank by an intermediate subsidiary of the Company which held the aforesaid indirectly-owned subsidiary. On 20 December 2010, the Company announced that it would not provide further financial assistance to Entertainment Media Segment. As a result, operation of the aforesaid subsidiary had been discontinued since end of December 2010.

The cash and bank balances as at 30 June 2012 was approximately HK$244 million. As at 30 June 2012, the Group had banking facilities in amount of approximately HK$72 million. These bank loans were at floating interest rate and denominated in Hong Kong dollars. According to the Hong Kong Interpretation 5 issued by the Hong Kong Institute of Certified Public Accountant in November 2010, a bank loan even with the agreed scheduled repayments dates that longer than 12 months from the period-end date should be classified as "current liability" if there was a "repayment on demand clause" in the banking facility. According to this interpretation, one of the bank loans of the Group was classified as "current liability" as at 30 June 2012. The respective figure of this bank loan for last financial year was already classified according to this interpretation. For Review Period, other bank loans of the Group were classified as current liability and non-current liability according to the agreed scheduled repayments dates. According to the agreed scheduled repayments dates, the maturity profile of the Group's bank borrowings (except the one that fully classified as current liability) as at 30 June 2012 was spread over a period of 20 years, with approximately 10% repayable within one year, 15% repayable between two to five years and 75% repayable over five years.

The Group's current assets were approximately HK$286 million while the current liabilities were approximately HK$23 million as at 30 June 2012. As at 30 June 2012, the Group's current ratio was 12.4 (at 31 December 2011: 11.5).

As at 30 June 2012, the Group's gearing ratio, representing the Group's bank loans, non-bank loans and convertible bonds (if any) divided by the equity attributable to owners of the Company was 21% (at 31 December 2011: 1%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

CONTINGENT LIABILITIES

As at 30 June 2012, 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 2012, the total headcount of the Group was 21.

PROSPECT

The global economic fluctuation has continued in the year 2012. It began with propitious market improvement when industrial production, trade and capital goods sales all turned to positive territory after the slow growth in the fourth quarter of last year. The economic rebound in both developing and advanced countries decelerated during the second quarter of 2012. Growth for the East Asia and Pacific region is on a moderately easing trend. The shift of growth from external trade dynamic to domestic sources of demand in China slows down the GDP growth.

During the Review Period, the performance of the Property Investment Segment was stable and satisfactory while the financial results of the Trading Segment have achieved a bracing achievement. In July 2012, the Group identified a business opportunity in the medical industry in the PRC. By signing a conditional sale and purchase agreement with the vendors, subject to the fulfillment of various conditions, the Group may acquire a group of companies in Shanghai, one of which owns and operates a hospital in Pudong New Area in Shanghai with a focus and specialty on orthopaedic operation and relevant recovery services. In 2010, the Hospital was admitted to the medical insurance scheme of Shanghai governed by Shanghai Municipal Human Resources and Social Security Bureau which allowed patients of the Hospital to claim against their medical expenses. Details of this transaction are disclosed in "Major Transaction/Post-Balance Sheet Event Section" of this report and the Company's announcements dated 13 July and 10 August 2012 respectively.

The Group shall not only make continuous effort to maintain and improve the performance of the existing business segments, but also strive to explore more potential opportunities for the benefit of our shareholders and investors.

SHARE OPTION SCHEME

The original share option scheme of the Company was adopted on 16 May 2002 (the "Old Option Scheme") and would be expired on 15 May 2012. On 27 April 2012, the Company adopted a new 10-year share option scheme (the "New Option Scheme") and terminated the Old Option Scheme on the same date. Pursuant to the New Option Scheme, the Directors are authorised to grant options to any executive or non-executive directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards. Apart from the New Option Scheme, the Company did not have any other share option scheme.

During the Review Period, the Company did not grant any options to any person and as at 30 June 2012 there was no outstanding option to subscribe for any shares of the Company under the New Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which had been notified to the Company and The Stock Exchange of Hong Kong Limited (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 Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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

Ordinary shares of HK$0.01 each

Name of Director	Capacity	Total number of shares	Approximate percentage of issued share capital of the Company (%)
Zhou Jian	Held by controlled corporation *(Note)*	2,610,395,180	26.55

Note: Mr. Zhou Jian held 2,610,395,180 shares of the Company through Wise Sun Holdings Limited, a company wholly owned by Bright Ace Holdings Limited, a company wholly owned by him.

Save as disclosed above, as at 30 June 2012, 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 contained in the Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, so far as is known to the Directors and the chief executives of the Company, the following persons had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

Ordinary shares of HK$0.01 each

Name of shareholder	Capacity	Total number of shares	Approximate percentage of issued share capital of the Company (%)
Wise Sun Holdings Limited	Beneficial owner *(Note 1)*	2,610,395,180	26.55
Bright Ace Holdings Limited	Held by controlled corporation *(Note 1)*	2,610,395,180	26.55
Zhou Jian	Held by controlled corporation *(Note 1)*	2,610,395,180	26.55
Fortune Source International Limited	Beneficial owner *(Note 2)*	1,125,000,000	11.44
Zhang Xiaoqun	Held by controlled corporation *(Note 2)*	1,125,000,000	11.44
Oriental Fortune Investments Limited	Beneficial owner *(Note 3)*	950,000,000	9.66
Che Tao	Held by controlled corporation *(Note 3)*	950,000,000	9.66

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:

1. Wise Sun Holdings Limited is wholly owned by Bright Ace Holdings Limited which in turn is wholly owned by Mr. Zhou Jian.
2. Fortune Source International Limited is wholly owned by Mr. Zhang Xiaoqun.
3. Oriental Fortune Investments Limited is wholly owned by Mr. Che Tao.

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at 30 June 2012, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

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

There was a banking facility (the "Facility") with the principal amount of HK$6 million provided by a bank in Hong Kong to an indirectly-owned subsidiary of the Company (the "Subsidiary"), among the Entertainment Media Segment which was discontinued by the end of December 2010, and imposed certain specific performance obligations on the Company, pursuant to which, the Company should not (i) hold less than 51% of the Subsidiary's equity interests effectively and (ii) hold less than 100% of equity interest in an intermediate wholly-owned subsidiary of the Company which held the Subsidiary (the "Intermediate Holding Company"). The bank had the right to demand for repayment of all outstanding amounts due by the Subsidiary under the Facility, unless otherwise approved by the bank, if there is any breach of the aforesaid conditions. As at 30 June 2012, the outstanding loan principal of this Facility amounted to approximately HK$4.9 million and the original last monthly instalment repayment should be in the year 2014.

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

On 20 December 2010, the Company announced that it would not provide further financial assistance to the Entertainment Media Segment. As a result, the operation of the Subsidiary was discontinued by the end of December 2010. The aforesaid bank took legal action against the Subsidiary and the Intermediate Holding Company in respect of the Facility. A provisional liquidator was appointed for the Subsidiary on 11 July 2012. However, there was no corporate guarantee for the Facility issued by the Company and other subsidiaries of the Company in favour of the Subsidiary and the Intermediate Holding Company.

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

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

CORPORATE GOVERNANCE

During the six months ended 30 June 2012, the Company was in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except for the following:

(a) The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to Bye-law 87(1) of the Company's Bye-laws;

(b) There is no separation of the role of the Chairman and the Chief Executive Officer ("CEO"). Mr. Zhou Jian is the Chairman of the Company and the Company does not have any officer with the title of CEO. The roles and functions of CEO are performed by all the executive directors collectively in view of the current size of the Group. The Board will periodically review such arrangement and may adopt appropriate measures in future during the further development of the Group's businesses; and

(c) The independent non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and eligible for re-election at the annual general meeting pursuant to the Company's Bye-laws and the Code. The service contracts of all the independent non-executive directors have a termination notice requirement of one month.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board had adopted the Model Code as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code through the period under review.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal operation and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2012 with the directors.

By Order of the Board
Zhou Jian
Chairman

Hong Kong, 13 August 2012