
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sun Innovation Holdings Limited, you should at once hand this Composite Document, together with the accompanying Form(s) of Acceptance, to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the provisions of which form part of the terms of the Offers contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.

WISE SUN HOLDINGS LIMITED

*(Incorporated in the British Virgin Islands
with limited liability)*



SUN INNOVATION HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)
(Stock code : 547)*

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
MANDATORY CONDITIONAL GENERAL OFFERS BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF WISE SUN HOLDINGS LIMITED
FOR ALL THE ISSUED EXISTING SHARES
AND CONVERTIBLE SECURITIES IN,
AND CANCELLATION OF ALL OUTSTANDING OPTIONS OF,
SUN INNOVATION HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY WISE SUN HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to Wise Sun Holdings Limited



Independent Financial Adviser to the Independent Board Committee



INC Corporate Finance Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Optima Capital is set out on pages 7 to 16 of this Composite Document. A letter from the Board is set out on pages 17 to 22 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 23 to 24 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 25 to 42 of this Composite Document.

The procedures for acceptance and other information relating to the Offers are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptances of the Share Offer should be received by the Registrar and acceptances of the CB Offer and the Option Offer should be received by the company secretary of the Company by no later than 4:00 p.m. on Monday, 10 August 2009 or such later time and/or date as Wise Sun may determine and announce in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the Form(s) of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the sub-paragraph headed "Overseas Shareholders and Overseas CB and Option Holders" under the paragraph headed "The Offers" in the letter from Optima Capital on pages 7 to 16 of this Composite Document and in paragraph 6 of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder and Overseas CB and Option Holder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Shareholders and Overseas CB and Option Holders are advised to seek professional advice on deciding whether to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkex.com.hk> and the Company at www.suninnovation.com as long as the Offers remain open.

20 July 2009

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EXPECTED TIMETABLE

2009

Despatch date of this Composite Document and the accompanying Form(s) of Acceptance and commencement of the Offers	Monday, 20 July
Latest time and date for acceptance of the Offers on the First Closing Date (<i>Note 1</i>).	4:00 p.m. on Monday, 10 August
First Closing Date (<i>Note 2</i>).	Monday, 10 August
Announcement of the results of the Offers as at the First Closing Date	not later than 7:00 p.m. on Monday, 10 August
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offers by the First Closing Date, assuming the Offers become or are declared unconditional on such date (<i>Note 3</i>)	Thursday, 20 August
Latest time and date for acceptance of the Offers if the Offers have been declared unconditional on the First Closing Date	4:00 p.m. on Monday, 24 August
Final closing date of the Offers if the Offers have been declared unconditional on the First Closing Date	Monday, 24 August
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offers on or before 4:00 p.m. on 24 August 2009 (<i>Note 3</i>)	Thursday, 3 September
Latest date by which the Offers can be declared unconditional (<i>Note 4</i>)	Friday, 18 September

Notes:

1. The Offers will be subject to Wise Sun having received acceptances in respect of the Existing Shares which, together with the Existing Shares already owned or to be acquired by Wise Sun and parties acting in concert with it before or during the Offer Period, will result in Wise Sun and parties acting in concert with it holding more than 50% of the voting rights of the Company. Unless the Offers have previously become or been declared unconditional or revised, the latest time for acceptance of the Offers is 4:00 p.m. on Monday, 10 August 2009. Pursuant to the Takeovers Code, where the Offers are declared unconditional, the Offers will remain open for acceptance for not less than 14 days thereafter. Wise Sun will make an announcement as and when the Offers become unconditional.
2. Wise Sun reserves the right to revise or extend the Offers until such time and/or date as it may determine and in accordance with the Takeovers Code. Wise Sun will issue an announcement to be posted on the Stock Exchange's website by 7:00 p.m. on Monday, 10 August 2009, being the First Closing Date, as to whether the Offers have been revised or extended, have become or been declared unconditional.

EXPECTED TIMETABLE

3. Amounts due to each of the Disinterested Shareholders, holder of the Existing CB and holders of the Options who accepts the Offers should be paid by Wise Sun as soon as possible but in any event within 10 days of the later of the date on which the Offers become, or are declared, unconditional and the date of receipt of the duly completed Form(s) of Acceptance in accordance with the Takeovers Code.
4. In accordance with the Takeovers Code, in the event that the Offers (whether revised or not) have not become or been declared unconditional as to acceptances on or before Friday, 18 September 2009, being the 60th day after posting of this Composite Document, the Offers will lapse unless the Executive consents to a later date.

Unless otherwise expressly stated, all time and date references contained in this Composite Document refer to Hong Kong time and date.

DEFINITIONS

In this Composite Document, the following expressions have the following meanings, unless the context otherwise requires:

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate(s)”	unless otherwise defined, has the meaning ascribed to it under the Listing Rules
“ BLUE Form(s) of Acceptance”	the form(s) of acceptance and cancellation of the Options in BLUE in respect of the Option Offer
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday and a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“Bye-Laws”	the bye-laws of the Company
“Capital Reorganisation”	the proposed share capital reorganisation of the Company, details of which were disclosed in the Joint Announcement and the circular of the Company dated 20 July 2009
“CB Offer”	the offer being made by Optima Capital on behalf of Wise Sun for the Existing CB in accordance with the Takeovers Code
“CB Placing Agreement”	the conditional placing agreement dated 17 June 2009 entered into between the Company and GT Capital Limited in relation to the best efforts placing of the Placing CBs, details of which were set out in the Joint Announcement and the circular of the Company dated 20 July 2009
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Sun Innovation Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Composite Document”	this composite offer and response document dated 20 July 2009 jointly issued by Wise Sun and the Company in relation to the Offers

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under Rule 1.01 and as extended by Rule 14A.11 of the Listing Rules
“Disinterested Shareholder(s)”	Shareholder(s) other than Wise Sun and parties acting in concert with it
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Existing CB”	the convertible bond issued by the Company with aggregate outstanding principal amount of HK\$7,200,000 which will mature on 12 March 2010
“Existing Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company
“First Closing Date”	Monday, 10 August 2009, being the first closing date for the Offers
“Form(s) of Acceptance”	one or more of the BLUE Form(s) of Acceptance and/or PINK Form(s) of Acceptance and/or WHITE Form(s) of Acceptance (as the context may require)
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising the non-executive Director, Mr. Shinji Yamamoto, and all the independent non-executive Directors, namely Mr. Zhou Ji, Jason, Professor Chen Tien-yiu, Theodore and Mr. Wong Tak Shing, formed to advise the Disinterested Shareholders and the holders of the Existing CB and the Options in respect of the Offers
“Independent Financial Adviser”	INCUCorporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO

DEFINITIONS

“Independent Third Party(ies)”	a party/parties who, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, is independent of and not connected with any of the Director(s), chief executive(s) or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associate(s)
“Joint Announcement”	the announcement dated 17 June 2009 jointly issued by Wise Sun and the Company in relation to, among other things, the Offers
“Last Trading Day”	15 May 2009, being the last full trading day before trading of the Existing Shares was suspended pending the release of the Joint Announcement
“Latest Practicable Date”	17 July 2009, being the latest practicable date for the purpose of ascertaining certain information in the Composite Document
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Leung”	Mr. Leung To Kwong, Valiant, an executive Director
“Mr. Matsuda”	Mr. Michele Matsuda, an executive Director
“Mr. Suen”	Mr. Suen Cho Hung, Paul
“Mr. Zhou”	Mr. Zhou Jian
“New Shares”	the ordinary shares of HK\$0.01 each in the capital of the Company after the Capital Reorganisation becomes effective
“Offer Share(s)”	Existing Share(s) not already owned or agreed to be acquired by Wise Sun and parties acting in concert with it
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and commencing from the date of the announcement of the Company dated 1 June 2009
“Offers”	the Share Offer, the CB Offer and the Option Offer
“Optima Capital”	Optima Capital Limited, a corporation licensed to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities as defined under the SFO and the financial adviser to Wise Sun in respect of the Offers
“Option(s)”	the option(s) granted by the Company to subscribe for an aggregate of 24,236,560 Shares pursuant to the Share Option Scheme

DEFINITIONS

“Option Offer”	the offer being made by Optima Capital on behalf of Wise Sun for the cancellation of the outstanding Options in accordance with the Takeovers Code
“Overseas CB and Option Holder(s)”	holder of the Existing CB whose registered address as entered in the register of bondholders maintained by the Company is outside Hong Kong and/or holder(s) of the Options who is (are) citizen(s) or resident(s) or national(s) of jurisdiction outside Hong Kong
“Overseas Shareholder(s)”	Disinterested Shareholder(s) whose registered address(es) as shown on the register of members of the Company is(are) outside Hong Kong
“ PINK Form(s) of Acceptance”	the form(s) of acceptance and transfer of the Existing CB in PINK in respect of the CB Offer
“Placing CBs”	convertible bonds with aggregate principal amount of up to HK\$200 million to be placed by GT Capital Limited pursuant to the CB Placing Agreement
“PRC”	The People’s Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Quants”	Quants Inc., a company incorporated under the laws of Japan
“Receivers”	Messrs. Desmond Chung Seng Chiong, Roderick John Sutton and Fok Hei Yu, together, the joint and several receivers in respect of the Sale Shares
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company which is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period from 1 December 2008, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“S&P Agreement”	the sale and purchase agreement dated 25 May 2009 entered into between the Receivers, Quants and Wise Sun in relation to the sale and purchase of the Sale Shares
“Sale Shares”	the 560,395,180 Existing Shares sold by Quants to Wise Sun under the S&P Agreement

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Existing Share(s) before the Capital Reorganisation becomes effective or New Share(s) after the Capital Reorganisation becomes effective
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the mandatory conditional cash offer being made by Optima Capital on behalf of Wise Sun to acquire all the issued Existing Shares (other than those already owned or acquired by Wise Sun and parties acting in concert with it) at the Share Offer Price
“Share Placing Agreement”	the conditional placing agreement dated 25 June 2009 entered into between the Company and GT Capital Limited in relation to the best efforts placing of up to 294,000,000 Existing Shares, details of which were set out in the announcement of the Company dated 25 June 2009
“Share Offer Price”	HK\$0.08 for each Offer Share
“Share Option Scheme”	the share option scheme adopted by the Company on 16 May 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the conditional subscription agreement dated 17 June 2009 entered into between the Company and Wise Sun in relation to the subscription by Wise Sun of the Subscription CBs, details of which were set out in the Joint Announcement and the circular of the Company dated 20 July 2009
“Subscription CBs”	convertible bonds with principal amount of up to HK\$120 million to be subscribed by Wise Sun pursuant to the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“ WHITE Form(s) of Acceptance”	the form(s) of acceptance and transfer of the Existing Shares in WHITE in respect of the Share Offer
“Wise Sun”	Wise Sun Holdings Limited, a company incorporated in the British Virgin Islands

DEFINITIONS

“Yunnan Tin Minerals”	China Yunnan Tin Minerals Group Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock code: 263)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM OPTIMA CAPITAL



Optima Capital Limited
Unit 3618, 36th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

20 July 2009

*To the Disinterested Shareholders,
the holder of the Existing CB and the holders of the Options*

Dear Sir or Madam,

**MANDATORY CONDITIONAL GENERAL OFFERS BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF WISE SUN HOLDINGS LIMITED
FOR ALL THE ISSUED EXISTING SHARES
AND CONVERTIBLE SECURITIES IN,
AND CANCELLATION OF ALL OUTSTANDING OPTIONS OF,
SUN INNOVATION HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY WISE SUN HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

As stated in the announcement of the Company dated 1 June 2009, the Company was notified on 15 May 2009 that joint and several receivers have been appointed on 13 May 2009 over the 560,395,180 Existing Shares held by Quants pursuant to a share charge in favour of Nippon Equity Partners B.V.. On 17 June 2009, Wise Sun and the Company jointly announced that, among other things, Wise Sun entered into the S&P Agreement with the Receivers and Quants (represented by the Receivers) on 25 May 2009, pursuant to which Quants, under the exercising of power of sale of the Receivers conferred by the aforesaid share charge, agreed to sell and Wise Sun agreed to purchase 560,395,180 Existing Shares for a total consideration of HK\$44,831,614.40 (equivalent to HK\$0.08 for each Existing Share).

The transfer of the Sale Shares to Wise Sun was completed on 8 June 2009.

After completion of the S&P Agreement, Wise Sun became the beneficial owner of the Sale Shares, representing approximately 38.12% of the issued share capital of the Company existing as at the date of completion of the S&P Agreement and the Joint Announcement and approximately 31.77% of the issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM OPTIMA CAPITAL

Prior to the acquisition of the Sale Shares by Wise Sun, neither Wise Sun nor parties acting in concert with it had any interest in the share capital or voting rights of the Company. After the acquisition by Wise Sun of the Sale Shares representing approximately 38.12% of the issued share capital of the Company as at the date of completion of the S&P Agreement, Wise Sun is required to make the Share Offer, the CB Offer and the Option Offer, being cash offers, to acquire all the issued Existing Shares and the Existing CB and to cancel all outstanding Options not already owned or agreed to be acquired by Wise Sun and parties acting in concert with it pursuant to Rule 26.1 and Rule 13 of the Takeovers Code.

This letter sets out, among other things, details of the terms of the Offers, information on Wise Sun and the intention of Wise Sun regarding the Group. Further details of the terms of the Offers are set out in Appendix I to this Composite Document and in the Form(s) of Acceptance.

THE OFFERS

I. THE SHARE OFFER

Principal terms of the Share Offer

Optima Capital is making the Share Offer on behalf of Wise Sun in compliance with the Takeovers Code on the following basis:

For every Offer Share HK\$0.08 in cash

Basis of the Share Offer Price

The Share Offer Price of HK\$0.08 per Offer Share is equivalent to the price per Existing Share paid by Wise Sun for the acquisition of the Sale Shares under the S&P Agreement and represents:

- (a) a premium of approximately 95.12% over the closing price of HK\$0.041 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 86.92% over the average closing price of approximately HK\$0.0428 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 97.04% over the average closing price of approximately HK\$0.0406 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 48.05% to the closing price of HK\$0.154 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a premium of approximately 160.59% over the audited consolidated net asset value attributable to equity holders of the Company per Existing Share of approximately HK\$0.0307 as at 31 December 2008 (calculated by dividing the audited consolidated net asset value attributable to equity holders of the Company as at 31 December 2008 of approximately HK\$45.1 million as shown in the annual report of the Company for the year ended 31 December 2008 by the total number of issued Existing Shares of 1,470,040,740 Existing Shares as at 31 December 2008).

LETTER FROM OPTIMA CAPITAL

Highest and lowest Existing Share prices

The highest and lowest closing prices per Existing Share as quoted on the Stock Exchange during the Relevant Period were HK\$0.18 per Existing Share on 19 June 2009 and HK\$0.023 per Existing Share on 1 April 2009 respectively.

Value of the Share Offer

As at the Latest Practicable Date, save for the 1,764,114,340 Existing Shares in issue, the Company also had in issue the Existing CB of principal amount of HK\$7,200,000 which is convertible into Existing Shares at the prevailing conversion price of HK\$0.105 per Existing Share and had outstanding 24,236,560 Options to subscribe for 24,236,560 Existing Shares. Apart from the above, the Company did not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Existing Shares as at the Latest Practicable Date.

On the basis of the Share Offer Price of HK\$0.08 per Offer Share, the entire issued Existing Shares as at the Latest Practicable Date of 1,764,114,340 Existing Shares are valued at approximately HK\$141.1 million. On the basis of the 560,395,180 Existing Shares already held by Wise Sun and parties acting in concert with it which are not subject to the Share Offer, the Share Offer is valued at approximately HK\$96.3 million based on the Share Offer Price.

Assuming the Existing CB is converted in full at the prevailing conversion price and all the Options are exercised before the close of the Share Offer, 68,571,428 and 24,236,560 Existing Shares would be issued respectively and the total value of the Share Offer would be approximately HK\$103.7 million based on the Share Offer Price and a total of 1,296,527,148 Offer Shares.

Condition of the Share Offer

The Share Offer is conditional upon valid acceptances having been received in respect of such number of Existing Shares by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as Wise Sun may determine and announce in accordance with the requirements of the Takeovers Code) which, together with the Existing Shares already owned or to be acquired by Wise Sun and parties acting in concert with it before or during the Offer Period, will result in Wise Sun and parties acting in concert with it holding more than 50% of the voting rights of the Company.

Disinterested Shareholders should note that if the total number of Existing Shares in respect of which Wise Sun receives valid acceptances under the Share Offer, together with the Existing Shares already owned or to be acquired by Wise Sun and parties acting in concert with it before or during the Offer Period, will result in Wise Sun and parties acting in concert with it holding less than 50% of the voting rights of the Company, the Share Offer will not become unconditional and will lapse. In such circumstances, pursuant to Rule 20.2 of the Takeovers Code, Wise Sun must, as soon as possible but in any event within 10 days thereof, post the Share certificates lodged with the **WHITE** Forms of Acceptance to, or make such Share certificates available for collection by, those Disinterested Shareholders who have accepted the Share Offer.

LETTER FROM OPTIMA CAPITAL

Effect of accepting the Share Offer

Acceptance of the Share Offer by any Disinterested Shareholder will, subject to the Share Offer becoming unconditional, be deemed to constitute a warranty by such Disinterested Shareholder that all Existing Shares sold by such Disinterested Shareholder under the Share Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of the Joint Announcement.

Stamp duty

Seller's ad valorem stamp duty payable by the Disinterested Shareholders who accept the Share Offer and calculated at a rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the market value of the Offer Shares or consideration payable by Wise Sun in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by Wise Sun to the relevant Disinterested Shareholders on acceptance of the Share Offer. Wise Sun will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Disinterested Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

II. THE CB OFFER

As stated in the letter from the Board contained in this Composite Document, as at the Latest Practicable Date, the Company had in issue the Existing CB conferring rights on the holder to convert into a maximum of 68,571,428 Existing Shares at the prevailing conversion price of HK\$0.105 per Existing Share. Pursuant to Rules 13.1 and 13.4 of the Takeovers Code, subject to the Share Offer becoming unconditional, Wise Sun is also required to make an appropriate cash offer for the Existing CB.

Optima Capital is making the CB Offer on behalf of Wise Sun in compliance with the Takeovers Code on the following terms:

For each HK\$1 face value of the Existing CB HK\$0.7619 in cash

The offer price for the CB Offer is determined based on the Share Offer Price of HK\$0.08 divided by the prevailing conversion price of the Existing CB of HK\$0.105. On the basis of the Share Offer Price of HK\$0.08 and the conversion price of the Existing CB of HK\$0.105, the CB Offer is valued at approximately HK\$5.5 million.

Acceptance of the CB Offer by the holder of the Existing CB will, subject to the Share Offer becoming unconditional, be deemed to constitute a warranty by such holder of the Existing CB that all Existing CB sold under the CB Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto on or after the date of the Joint Announcement and that such holder of the Existing CB will surrender to the Company all of his existing rights, if any, in respect of the Existing CB.

LETTER FROM OPTIMA CAPITAL

III. THE OPTION OFFER

As stated in the letter from the Board contained in this Composite Document, as at the Latest Practicable Date, there were 24,236,560 Options outstanding. Mr. Leung, an executive Director, is entitled as a holder of the Options to subscribe for 3,161,290 Existing Shares at an exercise price of HK\$0.18 per Existing Share and Mr. Matsuda, an executive Director, is entitled as a holder of the Options to subscribe for 21,075,270 Existing Shares at an exercise price of HK\$0.549 per Existing Share. Pursuant to Rules 13.4 and 13.5 of the Takeovers Code, subject to the Share Offer becoming unconditional, Wise Sun is also required to make an appropriate cash offer to cancel all the outstanding Options.

Optima Capital is making the Option Offer on behalf of Wise Sun in compliance with the Takeovers Code on the following terms:

For cancellation of every Option
carrying right to subscribe for one Existing Share HK\$0.0001 in cash

As the exercise prices of the Options are higher than the Share Offer Price of HK\$0.08, the Options are out-of-the-money. In such circumstances, the Option Offer will be made only at a nominal price of HK\$0.0001 for the cancellation of each outstanding Option carrying right to subscribe for one Existing Share. The total amount required to satisfy cancellation of all the outstanding Options is approximately HK\$2,424.

Any holder of the Options accepting the Option Offer in respect of all or part of their Options will surrender and give up its subscription rights attaching thereto on or after the date of the Joint Announcement.

As stated in the letter from the Board contained in this Composite Document, in accordance with the terms of the Share Option Scheme, the Company will give notice to holders of the Options to permit them to exercise their Options to their full extent at any time within 14 days immediately following the date on which the Share Offer becomes or is declared unconditional, after which the Options shall lapse according to the terms of the Share Option Scheme.

IV. GENERAL MATTERS RELATING TO THE OFFERS

Financial resources available to Wise Sun

Optima Capital is satisfied that sufficient financial resources are available to Wise Sun to satisfy acceptances in full of the Offers. Wise Sun will finance the Offers by internal resources and there is no payment of interest, repayment of or security for any liability (contingent or otherwise) that will depend to any significant extent on the business of the Group.

LETTER FROM OPTIMA CAPITAL

Other arrangements

Save for the acquisition of the Sale Shares by Wise Sun and the entering into of the Subscription Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Existing Shares between Wise Sun or parties acting in concert with it, and the Company and its associates (as defined in the Takeovers Code) which might be material to the Offers. There is no agreement or arrangement to which Wise Sun and its concert party is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers.

As at the Latest Practicable Date, none of Wise Sun nor parties acting in concert with it has received any irrevocable commitment to accept or reject the Offers.

Compulsory acquisition

Wise Sun does not intend to avail any powers of compulsory acquisition of any Existing Shares after the close of the Offers.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within 10 days of the later of the date on which the Offers become or are declared unconditional and the receipt of all the relevant documents by the Registrar (in the case of the Share Offer) or the company secretary of the Company (in the case of the CB Offer and the Option Offer) to render such acceptance complete and valid.

Overseas Shareholders and Overseas CB and Option Holders

The making of the Offers to persons with registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws of the relevant jurisdictions. Shareholders, holder of the Existing CB and holders of the Options who are citizens or residents or nationals of jurisdictions outside Hong Kong or whose registered addresses are outside Hong Kong should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirement. It is the responsibility of each person who wishes to accept the Offers to satisfy himself as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due by such Overseas Shareholders and/or Overseas CB and Option Holders in respect of such jurisdictions.

Further terms of the Offers

Further terms and conditions of the Offers including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this Composite Document and in the Form(s) of Acceptance.

LETTER FROM OPTIMA CAPITAL

INFORMATION ON WISE SUN

Wise Sun is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Bright Ace Holdings Limited. Bright Ace Holdings Limited is in turn beneficially owned as to 50% each by Mr. Suen and Mr. Zhou. The principal activity of Wise Sun is investment holding and the principal assets held by Wise Sun are the Sale Shares acquired from Quants. As at the Latest Practicable Date, Mr. Suen and Mr. Zhou are the only directors of each of Wise Sun and Bright Ace Holdings Limited.

Mr. Suen, aged 48, has been the Chairman of Yunnan Tin Minerals since July 2002. Mr. Suen holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has over 15 years of experience in international trading of metals, minerals and raw materials, manufacturing of metal products, property investment as well as management and corporate planning of industrial enterprises in the PRC. Mr. Suen is an executive director, the Chairman and a substantial shareholder of Yunnan Tin Minerals beneficially interested in approximately 19.50% of its issued share capital. Mr. Suen is also an executive director, the Chairman and a substantial shareholder of Poly Development Holdings Limited (stock code: 1141) beneficially interested in approximately 22.88% of its issued share capital.

Mr. Zhou, aged 40, was graduated from E.M. Lyon in France with a Master's degree in business administration. He has over 10 years' experience in operation, administrative affairs and strategic planning. Mr. Zhou is currently an executive director of Jiayou Home Shopping Co., Ltd. which has been granted an approval from the State Administration of Radio Film and Television in the PRC for carrying out trading business on television and multimedia in the PRC. He had been an executive director of Hi Sun Technology (China) Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 818), until 19 November 2006.

Save for the acquisition of the Sale Shares by Wise Sun, Wise Sun and its beneficial owners are Independent Third Parties.

Save for the acquisition of the Sale Shares and the entering into of the Subscription Agreement, Wise Sun and parties acting in concert with it have not dealt in the Existing Shares, convertible securities or options (or other outstanding derivatives in respect thereof) of any Existing Shares during the Relevant Period. Wise Sun and parties acting in concert with it have not entered into any contracts in relation to outstanding derivatives in respect of securities in the Company (if any) nor borrowed or lent any relevant securities in the Company (as defined in Note 4 to Rule 22 of the Takeovers Code).

INTENTION OF WISE SUN ON THE GROUP

It is the intention of Wise Sun that the Group will continue its existing principal activities. Wise Sun does not intend to introduce any major changes to the existing operation and business of the Company by reason only of the Offers. Wise Sun will nevertheless explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. In the event that any such opportunities materialise, further announcement(s) will be made by the Company as and when required by the Listing Rules. As at the Latest Practicable Date, Wise Sun has no detailed plans for acquisition of any specific assets and/or business(es) by the Group, and has not yet identified any specific target of acquisition.

LETTER FROM OPTIMA CAPITAL

PROPOSED CHANGE OF BOARD COMPOSITION

Wise Sun intends to nominate Mr. Zhou, Mr. Lo Ming Chi, Charles and Mr. Fan Lei as executive Directors and Ms. Lau Cheong and Mr. Duan Xiongfei as independent non-executive Directors. Such appointments will take effect from the Business Day immediately following the date of despatch of this Composite Document. The existing business will continue to be operated by the existing employees of the Group under the supervision and management of the new executive Board.

Biographical details of Mr. Zhou are set out in the paragraph headed “Information on Wise Sun” above. Biographical details of the other proposed Directors are set out as below:

Executive Directors

Mr. Lo Ming Chi, Charles, JP, aged 59, is a Certified Practising Accountant in Australia and is a fellow of the Financial Services Institute of Australasia. Mr. Lo is currently the Deputy Chairman and the Chief Executive Officer of Poly Development Holdings Limited (stock code: 1141) and an independent non-executive director of Hembly International Holdings Limited (stock code: 3989), Tak Sing Alliance Holdings Limited (stock code: 126) and Cash Financial Services Group Limited (stock code: 510). He was an executive director of New Century Group Hong Kong Limited (stock code: 234) from 29 March 1999 to 1 February 2009. He was also an independent non-executive director of Artfield Group Limited (stock code: 1229) from 16 September 1998 to 11 April 2008, Cash Retail Management Group Limited (formerly known as Pricerite Group Limited) (stock code: 996) from 3 November 2003 to 16 November 2006 and Freeman Corporation Limited (stock code: 279) from 23 September 2004 to 21 August 2006. All the aforesaid companies are listed on The Stock Exchange of Hong Kong Limited. He has over 29 years of experience in financial and investment services in Australia, Hong Kong and other Asian countries.

Mr. Fan Lei, aged 35, graduated from Wuhan University with a bachelor’s degree in economics with major in investment economics. He has over 10 years of experience in banking industry including asset management in the PRC. He is currently the Chief Investment Director of Beijing Changhe Century Asset Management Limited.

Independent non-executive Directors

Mr. Duan Xiongfei, aged 40, holds a master’s degree in economics from The University of Chicago. He is an associate member of National Futures Association in the United States of America and has over 15 years of experience in securities trading and investment industry. He is currently the Managing Partner of Shanghai Ruiyue Capital Management, Inc. and the Partner of Guarda Capital Management Inc. in Canada which qualifies as a registered commodity trading advisor in the United States of America.

Ms. Lau Cheong, aged 25, holds a master’s degree in public policy and management and a bachelor’s degree in business administration from University of Southern California. She obtained three broker qualifications in the United States of America and previously worked in Morgan Stanley & Co. Incorporated. She is currently the President of Ponticello International Group Incorporated.

LETTER FROM OPTIMA CAPITAL

Further announcement will be made by the Company in respect of the appointments of the Directors pursuant to Rule 13.51(2) of the Listing Rules as and when appropriate.

Save for the nomination of the Directors mentioned above, there will not be any material change to the continued employment of the management and employees of the Group as a result of the Offers.

MAINTAINING THE LISTING STATUS OF THE COMPANY

Wise Sun intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. The Company, the new Directors to be nominated by Wise Sun and the directors of Wise Sun has undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.

TAXATION

Disinterested Shareholders, holder of the Existing CB and holders of the Options are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. It is emphasised that none of Wise Sun, Optima Capital, the Company nor any of their respective directors or any persons involved in the Offers accepts responsibility for any taxation effects on or liabilities of any person or persons as a result of their acceptance of the Offers.

This Composite Document does not include any information in respect of overseas taxation. Disinterested Shareholders, holder of the Existing CB and holders of the Options who may be subject to overseas tax are urged to consult their tax advisers regarding the relevant jurisdiction of owning and disposing of the Shares.

GENERAL

To ensure equality of treatment of all Disinterested Shareholders, those Disinterested Shareholders who hold Existing Shares as nominees for more than one beneficial owners should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Existing Shares whose investments are registered in nominee names to accept the Share Offer, it is essential that they provide instructions of their intentions with regard to the Offers to their nominees.

The attention of the Overseas Shareholders and the Overseas CB and Option Holders is drawn to paragraph 6 of Appendix I to this Composite Document.

LETTER FROM OPTIMA CAPITAL

All documents and remittances to the Disinterested Shareholders, the holder of the Existing CB and the holders of the Options will be sent to them by ordinary post at their own risk to their addresses as they appear in the register of members of the Company (in the case of the Share Offer) or the register of holders of the Existing CB (in the case of the CB Offer) or the records of the Company (in the case of the Option Offer) or, in the case of joint Disinterested Shareholders, to the Disinterested Shareholder whose name appears first in the branch register of members of the Company, as applicable. None of Wise Sun, the Company, Optima Capital nor any of their respective directors or any other person involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

Stockbrokers, banks and others who deal in relevant securities of the Company on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

ADDITIONAL INFORMATION

Your attention is drawn to the accompanying Form(s) of Acceptance and the additional information set out in the appendices which form part of this Composite Document. Your attention is also drawn to the letter from the Board, the letter from the Independent Board Committee to the Disinterested Shareholders, the holder of the Existing CB and the holders of the Options and the letter from the Independent Financial Adviser to the Independent Board Committee contained in this Composite Document.

Yours faithfully,
For and on behalf of
Optima Capital Limited
Mei H. Leung
Chairman

LETTER FROM THE BOARD



SUN INNOVATION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 547)

Directors:

Mr. Michele Matsuda

(Chairman, CEO, Executive Managing Director)

Mr. Leung To Kwong, Valiant

Mr. Shinji Yamamoto**

Mr. Zhou Ji, Jason#

Prof. Chen Tien-yiu, Theodore#

Mr. Wong Tak Shing#

** *Non-executive Director*

Independent Non-executive Director

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal Place of Business:

3/F., Chung Nam Building

1 Lockhart Road

Wanchai

Hong Kong

20 July 2009

To the Disinterested Shareholders,

the holder of the Existing CB and the holders of the Options

Dear Sir or Madam,

**MANDATORY CONDITIONAL GENERAL OFFERS BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF WISE SUN HOLDINGS LIMITED
FOR ALL THE ISSUED EXISTING SHARES
AND CONVERTIBLE SECURITIES IN,
AND CANCELLATION OF ALL OUTSTANDING OPTIONS OF,
SUN INNOVATION HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY WISE SUN HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

As stated in the announcement of the Company dated 1 June 2009, the Company was notified on 15 May 2009 that joint and several receivers have been appointed on 13 May 2009 over the 560,395,180 Existing Shares held by Quants pursuant to a share charge in favour of Nippon Equity Partners B.V..

LETTER FROM THE BOARD

The Joint Announcement stated the following:

- Wise Sun entered into the S&P Agreement with the Receivers and Quants (represented by the Receivers) on 25 May 2009, pursuant to which Quants, under the exercising of the power of sale of the Receivers conferred by the aforesaid share charge, agreed to sell and Wise Sun agreed to purchase 560,395,180 Existing Shares for a total consideration of HK\$44,831,614.40 (equivalent to HK\$0.08 for each Existing Share);
- the transfer of the Sale Shares to Wise Sun was completed on 8 June 2009, after which Wise Sun became the beneficial owner of the Sale Shares, representing approximately 38.12% of the issued share capital of the Company existing as at the date of completion of the S&P Agreement and the Joint Announcement.

Wise Sun stated in the Joint Announcement that prior to the acquisition of the Sale Shares by Wise Sun, neither Wise Sun nor parties acting in concert with it had any interest in the share capital or voting rights of the Company. After the acquisition by Wise Sun of the Sale Shares representing approximately 38.12% of the issued share capital of the Company as at the date of the Joint Announcement, Wise Sun is required to make the mandatory conditional general offers, being cash offers, for all the issued Existing Shares and convertible securities in, and cancellation of all outstanding Options of, the Company not already owned or agreed to be acquired by Wise Sun and parties acting in concert with it pursuant to Rule 26.1 and Rule 13 of the Takeovers Code.

The terms of the Offers are set out in the letter from Optima Capital and Appendix I to this Composite Document and the relevant Form(s) of Acceptance.

Pursuant to Rule 2.1 of the Takeovers Code, Mr. Shinji Yamamoto, being the non-executive Director, and Mr. Zhou Ji, Jason, Prof. Chen Tien-yiu, Theodore and Mr. Wong Tak Shing, being all the independent non-executive Directors, constituted the Independent Board Committee to provide recommendation to the Disinterested Shareholders and the holders of the Existing CB and the Options in respect of the Offers. INCU Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Offers. Such appointment has been approved by the Independent Board Committee.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offers and the recommendation of the Independent Board Committee to the Disinterested Shareholders regarding the Offers, and the advice of the Independent Financial Adviser to the Independent Board Committee on the Offers.

LETTER FROM THE BOARD

THE OFFERS

Optima Capital, the financial adviser to Wise Sun, is making the Offers on behalf of Wise Sun in compliance with the Takeovers Code on the following terms:

Principal terms of the Offers

For every Offer Share HK\$0.08 in cash

For each HK\$1 face value of the Existing CB
(based on the Share Offer Price of HK\$0.08 per
Offer Share divided by the prevailing conversion price
of the Existing CB of HK\$0.105 per Existing Share) HK\$0.7619 in cash

For the cancellation of every Option
carrying right to subscribe for one Existing Share. HK\$0.0001 in cash

The Joint Announcement stated that the Share Offer Price of HK\$0.08 per Offer Share is equivalent to the price per Existing Share paid by Wise Sun for the acquisition of the Sale Shares under the S&P Agreement. On the basis of the Share Offer Price of HK\$0.08 per Offer Share, the entire issued Existing Shares as at the Latest Practicable Date of 1,764,114,340 Existing Shares are valued at approximately HK\$141.1 million. On the basis of the 560,395,180 Existing Shares already held by Wise Sun and parties acting in concert with it, which are not subject to the Share Offer, the Share Offer is valued at approximately HK\$96.3 million based on the Share Offer Price.

Wise Sun stated in the Joint Announcement that the offer price for the CB Offer is determined based on the Share Offer Price of HK\$0.08 divided by the prevailing conversion price of the Existing CB of HK\$0.105. On the basis of the Share Offer Price of HK\$0.08 and the conversion price of the Existing CB of HK\$0.105, the CB Offer is valued at approximately HK\$5.5 million.

As at the Latest Practicable Date, there were 24,236,560 Options outstanding, of which 21,075,270 Options have an exercise price of HK\$0.549 per Existing Share and 3,161,290 Options have an exercise price of HK\$0.18 per Existing Share. As the exercise prices of the Options are higher than the Share Offer Price of HK\$0.08, the Options are out-of-the-money. It is stated in the paragraph headed “III. THE OPTION OFFER” in the letter from Optima Capital that in such circumstances, the Option Offer is being made only at a nominal price of HK\$0.0001 for the cancellation of each outstanding Option carrying right to subscribe for one Existing Share.

In accordance with the Share Option Scheme, the Company will give notice to holders of the Options to permit them to exercise their Options to their full extent at any time within 14 days immediately following the date on which the Share Offer becomes or is declared unconditional, after which the Options shall lapse according to the term of the Share Option Scheme.

LETTER FROM THE BOARD

Under the terms of the Offers, the Offers are conditional upon valid acceptances having been received in respect of such number of Existing Shares by no later than 4:00 p.m. on the First Closing Date (or such later times and/or dates as Wise Sun may determine and announce in accordance with the requirements of the Takeovers Code) which, together with the Existing Shares already owned or acquired by Wise Sun and parties acting in concert with it during the Offer Period, will result in Wise Sun and parties acting in concert with it holding more than 50% of the voting rights of the Company.

The procedures for acceptance and further terms of the Offers are set out in Appendix I to this Composite Document.

SHAREHOLDING STRUCTURE

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date comprising 1,764,114,340 Existing Shares in issue; and (ii) upon the exercise in full of the outstanding Options and the conversion in full of the rights attached to the Existing CB:

	As at the Latest Practicable Date		Assuming the exercise in full of the outstanding Options and the conversion in full of the rights attached to the Existing CB (Note 2)	
	Shares	%	Shares	%
Controlling Shareholder:				
Wise Sun	560,395,180	31.77	560,395,180	30.18
Directors:				
Mr. Matsuda (Note 3)	80,570,000	4.57	101,645,270	5.47
Mr. Leung (Note 4)	1,730,000	0.10	4,891,290	0.26
Public Shareholders:				
Holder of Existing CB (Note 5)	–	–	68,571,428	3.69
Other Public Shareholders	1,121,419,160	63.56	1,121,419,160	60.40
Total	<u>1,764,114,340</u>	<u>100.00</u>	<u>1,856,922,328</u>	<u>100.00</u>

Notes:

- The shareholding table above has not taken into account the results of the Offers being made by Optima Capital on behalf of Wise Sun.
- Assuming (i) the Existing CB is converted at the prevailing conversion price of HK\$0.105 per Existing Share; and (ii) 21,075,270 Options are exercised at the exercise price of HK\$0.549 per Existing Share and 3,161,290 Options are exercised at the exercise price of HK\$0.18 per Existing Share.
- Mr. Matsuda personally holds 10,000 Existing Shares and beneficially holds 80,560,000 Existing Shares through e-Compact Limited, a company wholly and beneficially owned by Anglo Japan Enterprises Limited, which is in turn wholly and beneficially owned by him. Mr. Matsuda is also interested in the Options conferring rights for him to subscribe for 21,075,270 Shares.

LETTER FROM THE BOARD

4. Mr. Leung is also interested in the Options conferring rights for him to subscribe for 3,161,290 Shares.
5. Violet Profit Holdings Limited, which is an Independent Third Party, subscribed the Existing CB in the principal amount of HK\$7,200,000 which is convertible into 68,571,428 Shares at the prevailing conversion price of HK\$0.105. Details of the Existing CB are set out in the announcements of Company dated 15 February 2007 and 26 September 2008.

INFORMATION ON THE COMPANY

The Group is principally engaged in (i) property investment; (ii) entertainment media; (iii) leisure and entertainment events; (iv) media shopping; (v) telecommunication; and (vi) financial services.

INFORMATION ON WISE SUN

Your attention is drawn to the paragraph headed “INFORMATION ON WISE SUN” in the letter from Optima Capital set out on pages 7 to 16 of this Composite Document for information on Wise Sun.

WISE SUN’S INTENTION ON THE GROUP

Your attention is drawn to the paragraph headed “INTENTION OF WISE SUN ON THE GROUP” in the letter from Optima Capital set out on pages 7 to 16 of this Composite Document for information on Wise Sun’s intention on the Group.

PROPOSED CHANGE OF BOARD COMPOSITION

As disclosed in the paragraph headed “PROPOSED CHANGE OF BOARD COMPOSITION” in the letter from Optima Capital, Wise Sun intends to nominate Mr. Zhou, Mr. Lo Ming Chi, Charles and Mr. Fan Lei as executive Directors and Ms. Lau Cheong and Mr. Duan Xiongfei as independent non-executive Directors and such appointments will take effect from the Business Day immediately following the date of despatch of this Composite Document.

Biographical details of Mr. Zhou are set out in the section headed “INFORMATION ON WISE SUN” in the letter from Optima Capital. Biographical details of Mr. Lo Ming Chi, Charles, Mr. Fan Lei, Ms. Lau Cheong and Mr. Duan Xiongfei are set out in the paragraph headed “PROPOSED CHANGE OF BOARD COMPOSITION” in the letter from Optima Capital.

Further announcement will be made by the Company in respect of the appointments of the Directors pursuant to Rule 13.51(2) of the Listing Rules as and when appropriate.

Save for the nomination of the Directors mentioned above, Wise Sun has not informed the Company of any intention to effect any material change to the continued employment of the management and employees of the Group as a result of the Offers.

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

As disclosed in the paragraph headed “MAINTAINING THE LISTING STATUS OF THE COMPANY” in the letter from Optima Capital, Wise Sun intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. The Company has undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that sufficient public float exists for the Shares. It is stated in the letter from Optima Capital that undertakings on such terms have been provided from each of the directors of Wise Sun and the new Directors nominated by Wise Sun.

The Stock Exchange has stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 23 to 24 of this Composite Document and the letter of advice from the Independent Financial Adviser set out on pages 25 to 42 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offers and the principal factors considered by it in arriving at its recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from Optima Capital as set out on pages 7 to 16 of this Composite Document, the further terms and procedures of acceptance of the Offers in Appendix I and the accompanying Form(s) of Acceptance which contain details of the Offers.

Your attention is also drawn to the additional information set out in the appendices contained in this Composite Document.

Yours faithfully,
By Order of the Board
Sun Innovation Holdings Limited
Michele Matsuda
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SUN INNOVATION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 547)

20 July 2009

*To the Disinterested Shareholders, the holders of the Options and
the holder of Existing CB*

Dear Sir or Madam,

**MANDATORY CONDITIONAL GENERAL OFFERS BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF WISE SUN HOLDINGS LIMITED
FOR ALL THE ISSUED EXISTING SHARES
AND CONVERTIBLE SECURITIES IN,
AND CANCELLATION OF ALL OUTSTANDING OPTIONS OF,
SUN INNOVATION HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY WISE SUN HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document dated 20 July 2009 jointly issued by the Company and Wise Sun, of which this letter forms part. Terms defined in the Composite Document shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as your interests are concerned. The Independent Financial Adviser has been appointed to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from the Independent Financial Adviser on pages 25 to 42 of the Composite Document.

We also wish to draw your attention to the letter from the Board, the letter from Optima Capital and the additional information set out in the appendices to the Composite Document.

Taking into account the terms of the Offers and the advice from the Independent Financial Adviser, we consider that the terms of the Offers are fair and reasonable so far as the Disinterested Shareholders, the holders of the Options and the holder of Existing CB are concerned and recommend the Disinterested Shareholders, the holders of the Options and the holder of Existing CB to accept the Offers.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Disinterested Shareholders, the holders of the Options and the holder of Existing CB are reminded to closely monitor the market price and the liquidity of the Existing Shares when the Offers remain open for acceptance. The Disinterested Shareholders should, having regard to their own circumstances, consider selling their Existing Shares in the open market instead of accepting the Share Offer, if the net proceeds they will receive from the sale of such Shares would be higher than that from accepting the Share Offer. Likewise, the holders of the Options should, having regard to their own circumstances, consider exercising their Options and selling the Existing Shares in the open market instead of accepting the Option Offer, if the net proceeds they will receive from their exercise of Options and sale of the Existing Shares would be higher than that from accepting the Option Offer. Similarly, the holder of the Existing CB should, having regard to its own circumstances, consider converting its Existing CB and selling the Existing Shares in the open market instead of accepting the CB Offer, if the net proceeds it will receive from the conversion of the Existing CB and the sale of Existing Shares would be higher than that from accepting the CB Offer.

Yours faithfully,
The Independent Board Committee
Mr. Shinji Yamamoto
Non-executive Director

Mr. Zhou Ji, Jason

Prof. Chen Tien-yiu, Theodore
Independent Non-executive Directors

Mr. Wong Tak Shing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offers, which has been prepared for the purpose of inclusion in the Composite Document.



INCUB Corporate Finance Limited

Unit 1602, Ruttonjee House
Ruttonjee Centre, 11 Duddell Street
Central, Hong Kong

20 July 2009

To the Independent Board Committee of Sun Innovation Holdings Limited

Dear Sirs,

**MANDATORY CONDITIONAL GENERAL OFFERS BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF WISE SUN HOLDINGS LIMITED
FOR ALL THE ISSUED EXISTING SHARES
AND CONVERTIBLE SECURITIES IN,
AND CANCELLATION OF ALL OUTSTANDING OPTIONS OF,
SUN INNOVATION HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY WISE SUN HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Offers. Details of the Offers are set out in the “Letter from the Board” and the “Letter from Optima Capital” contained in the Composite Document dated 20 July 2009, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The announcement jointly issued by Wise Sun and the Company dated 17 June 2009 (the “Joint Announcement”) stated that on 25 May 2009, Wise Sun entered into the S&P Agreement with the Receivers and Quants (represented by the Receivers), pursuant to which Quants, under the exercising of power of sale of the Receivers conferred by a share charge, has agreed to sell and Wise Sun has agreed to purchase 560,395,180 Existing Shares for a total consideration of HK\$44,831,614.40 (equivalent to HK\$0.08 for each Existing Share). The transfer of the Existing Shares was completed on 8 June 2009.

Prior to the acquisition of the Sale Shares by Wise Sun, neither Wise Sun nor parties acting in concert with it had any interest in the share capital or voting rights of the Company. Immediately after the acquisition by Wise Sun of the Sale Shares, Wise Sun is interested in more than 30% of the then issued share capital of the Company. Wise Sun is required to make the Share Offer, being a cash offer, for all

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the issued Existing Shares not already owned or agreed to be acquired by Wise Sun and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code. As at the Latest Practicable Date, the Company has outstanding Existing CB with aggregate principal amount of HK\$7,200,000 and outstanding 24,236,560 Options to subscribe for 24,236,560 Existing Shares. Pursuant to Rule 13.1, 13.4 and 13.5 of the Takeovers Code, Wise Sun is also required to make appropriate cash offers for all the Existing CB and outstanding Options.

The Independent Board Committee (comprising all the non-executive Directors, namely Mr. Shinji Yamamoto, Mr. Zhou Ji, Jason, Professor Chen Tien-yiu, Theodore and Mr. Wong Tak Shing) has been formed to advise the Disinterested Shareholders, holder of the Existing CB (the “**CB Holder**”) and holders of the Options (the “**Option Holders**”) on the terms of the Offers. We have been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Offers and such appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Composite Document and provided to us by the Company, the Directors, the management of the Company for the information to the Company and certain information of Wise Sun contained in the letter from Optima Capital. We have assumed that all information, opinions and representations contained or referred to in the Composite Document were true and accurate at the time when they were made and continued to be true and accurate as at the date of the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and Wise Sun in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document to provide a reasonable basis for our opinions and recommendations. The Directors have confirmed that having made all reasonable enquiries, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or Wise Sun.

In formulating our opinion, we have not considered the taxation implications on the Disinterested Shareholders, the CB Holder and the Option Holders arising from acceptances or non-acceptances of the Offers as these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offers. In particular, the Disinterested Shareholders, the CB Holder and the Option Holders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Offers and in giving our recommendations to the Independent Board Committee, we have taken into account the following principal factors and reasons:

Historical financial performance and prospects of the Group

The Company, incorporated in Bermuda with limited liability, is an investment holding company and its issued Existing Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in (i) property investment; (ii) entertainment media; (iii) leisure and entertainment events; (iv) media shopping; (v) telecommunication; and (vi) financial services.

(i) Financial year ended 31 December 2007 versus financial year ended 31 December 2006

For the year ended 31 December 2007, the Group recorded a turnover of approximately HK\$45.06 million (comprising turnover from continuing operations of approximately HK\$40.16 million and from discontinued operations of approximately HK\$4.90 million), representing a decrease of approximately 66.18% from that for the year ended 31 December 2006 of approximately HK\$133.24 million (comprising turnover from continuing operations of approximately HK\$35.33 million and from discontinued operations of approximately HK\$97.91 million). According to the annual report of the Company for the year ended 31 December 2007 (the “AR 2007”), such decrease in turnover was mainly attributed to the shift in business focus and the termination of digital kiosk business in Japan. The Group reported a loss of approximately HK\$64.79 million for the year ended 31 December 2007, representing a worsening off of approximately 2.14 times from a loss of approximately HK\$30.24 million for the year ended 31 December 2006. According to the AR 2007, the loss was due to a significant increase in various professional fees and staff costs.

(ii) Financial year ended 31 December 2008 versus financial year ended 31 December 2007

For the year ended 31 December 2008, the Group recorded a turnover (from continuing operations) of approximately HK\$39.05 million, representing a decrease of approximately 2.76% from the turnover from the continuing operations for the year ended 31 December 2007 of approximately HK\$40.16 million. The Group reported a loss of approximately HK\$107.21 million for the year ended 31 December 2008, representing a worsening off of approximately 1.65 times from a loss of approximately HK\$64.79 million for the year ended 31 December 2007. According to the annual report of the Company for the year ended 31 December 2008 (the “AR 2008”), the increase in loss was mainly due to the impact of severe competition in leisure and entertainment events and media shopping industries and the declining financial markets in the year 2008.

(iii) Prospects and outlook

As noted from previous annual reports and financial statements of the Company and advised by the Company, the Company has a loss making track record for 10 years. We note from the AR 2008, for the year ended 31 December 2008, the turnover from the business segments of entertainment media, and leisure and entertainment events represented approximately 73.24% of the total turnover of the Group. The turnover from the entertainment media segment for the year ended 31 December 2008 has dropped

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approximately 34.50% as compared to the previous year and, as advised by the Company, such drop was mainly due to the discontinued operation of the digital kiosk business in Japan and Hawaii in the year 2007. Also, as advised by the Company, the revenue for the business segment of leisure and entertainment events for the year 2008 are mainly generated from pageant events, namely Miss Macau Pageant 2008 and the 48th Miss International Pageant 2008. However, we note from the AR 2008 that due to the global and local business and financial environments have changed significantly since the fourth quarter of 2008, the Group did not renew the right for hosting the Miss International Pageant event for the year 2009.

As set out in the AR 2008, due to the severe economic environment after the financial turmoil, the Group will rationalise and streamline the existing structures and operation. At the same time, the Group will continue to strengthen the existing property-related business and entertainment-related business. The Group will continue actively exploring various business opportunities, including the realisation of any property investments, if any, and may diversify the businesses for medium to long term development.

We also note from the AR 2008 that auditors of the Company, even though without qualifying its opinion, had drawn attention a material uncertainty (the “**Uncertainty Opinion**”) concerning the going concern basis of the Group’s accounts for the year 31 December 2008 because the Group incurred a consolidated loss of approximately HK\$107.21 million during the year ended 31 December 2008 and reported consolidated net current liabilities of approximately HK\$51.80 million as at 31 December 2008.

In view of the financial position of the Company as mentioned above and the fact that of the open offer as announced by the Company in its announcements dated 24 March 2009 and 18 May 2009 cannot proceed, the Company proposed, as stated in the Joint Announcement, to raise fund by way of best efforts Placing of New CBs and Subscription of New CBs with an aggregate in the maximum principal amount of HK\$320 million. As the subscription of the Subscription CBs by Wise Sun and placing of the Placing CBs remain conditional upon fulfillment of conditions precedent, including amongst other things, Shareholder’s approval at a special general meeting of the Company to be held on 26 August 2009 (by which time, based on the expected timetable set out in the Composite Document, the Offer will have closed), and in view of the (i) the market price of the Shares have risen appreciably to above the HK\$0.10 nominal value of the Shares after the publication of the Joint Announcement which made it possible for the Company to effect fund raising by means of placing at a more favourable price; (ii) the fund raising by means of placing will not only enlarge the shareholder and capital base of the Company, but also provide more immediate liquidity to the Company to deal with its debt obligations, the Company proposed the placing of 294,000,000 new Existing Shares at HK\$0.1441 per Existing Share (the “Share Placing”) as set out in the Company’s announcement dated 25 June 2009 (the “Placing Announcement”) to strengthen the financial position of the Company. The Share Placing completed on 8 July 2009 and the Company raised approximately HK\$41.3 million (net of expense) which will be used as to approximately HK\$18.5 million for the repayment of loans and associated debt servicing costs of the Group, as to approximately HK\$10.8 million for the final payment of US\$1,385,480 under the deed of settlement in relation to a pageant hosting agreement dated 7 March 2008 entered into between ING Co., Ltd., Asia and Pacific Media Limited and S.I. Macau Entertainment Company Limited, a wholly-owned subsidiary of the Company, and as to approximately HK\$12.0 million for working capital and for opportunistic investments if suitable opportunities to do so arise in the future.

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As further stated in the circular of the Company dated 20 July 2009 relating to the Placing of New CBs and Subscription of New CBs (the “Placing and Subscription Circular”), the Directors consider that, whilst the proceeds from the Share Placing have increased liquidity for the Company, it is appropriate to continue to pursue the proposals for the Placing of New CBs and Subscription of New CBs to which it has committed, to raise further funding for the Company. As set out in the letter from the Board in the Placing and Subscription Circular, based on the business plans of the Company and barring unforeseen circumstances and opportunities, the estimated maximum net proceeds from the issue of the New CBs will be approximately HK\$315.2 million, and will be applied as to approximately HK\$44.7 million for the repayment of approximately HK\$43.6 million drawn down from the six-month loan facility recently provided by Wise Sun together with interest accrued thereon, as to approximately HK\$34.5 million for the repayment of outstanding long term loan facilities, as to approximately HK\$25.0 million for funding existing businesses including costs of the next pageant event and acquiring multi-media contents for its entertainment media business, as to approximately HK\$66.0 million for general working capital (to cover administrative expenses, daily operation costs and professional fees), and as to approximately HK\$145.0 million for opportunistic investments if suitable opportunities to do so arise in the future. For details of the Placing of New CBs and Subscription of New CBs, please refer to the Placing and Subscription Circular.

Since the second half of 2008 when the global financial crisis started to spread across economies, enterprises all over the world have had to face severe challenges. The economies of the United States, Europe and Japan went into recession and the economic growth also slowed down in the PRC. Inevitably, the economies in Hong Kong and Macau have also been adversely affected as reflected by the increasing unemployment rate. According to the Hong Kong Census and Statistics Department, the seasonally adjusted unemployment rate of Hong Kong has increased to 5.2% in the first quarter of 2009 from 4.1% in the fourth quarter of 2008 and according to the External Economic Relations Department of the Macao Economics Services, the unemployment rate has increased from 3.0% in the year 2008 to 3.8% for the first quarter of 2009. Given the Group’s geographical segments mainly located in Hong Kong, Macau, Mainland China and the United States, it is conceived that the business prospects of the Group will be inevitably affected as a result of the global financial crisis.

Given (i) the persistent losses recorded by the Group and the Uncertainty Opinion; (ii) the operating environment of the Group has turned unfavourable as a result of the global financial crisis; (iii) the shrinking of the turnover in major business segments of the Group whilst no concrete plans have been formulated for turning around the Group’s results; and (iv) the completed Placing Shares and the proposed Subscription CBs by Wise Sun and placing of the Placing CBs if materialized, will improve the financial position of the Company, but not the trading prospect of the Company; and (v) in the absence of a concrete business plan, there are uncertainties as to overall business, operating performance and financial position of the Group in the future; (vi) the introduction of new management will not have imminent impact on performance of the Company, notwithstanding that the new management to be introduced have extensive experience in the asset management and investment field, we are of the view that it is uncertain as to whether the Group would be able to improve its trading prospects or turnaround from operating loss position in future.

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The Share Offer

Optima Capital is making the Share Offer on behalf of Wise Sun in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.08 in cash

The Share Offer Price of HK\$0.08 per Offer Share is equivalent to the price per Existing Share paid by Wise Sun under the S&P Agreement and represents:

- (a) a premium of approximately 95.12% over the closing price of HK\$0.041 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 86.92% over the average of the closing prices of the Existing Shares of approximately HK\$0.0428 each as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 97.04% over the average of the closing prices of the Existing Shares of approximately HK\$0.0406 each as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 48.05% to the closing price of HK\$0.154 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Share Offer is conditional upon valid acceptances having been received in respect of such number of Existing Shares which, together with the Existing Shares already owned or to be acquired by Wise Sun and parties acting in concert with it before or during the Offer Period, will result in Wise Sun and parties acting in concert with it holding more than 50% of the voting rights in the Company.

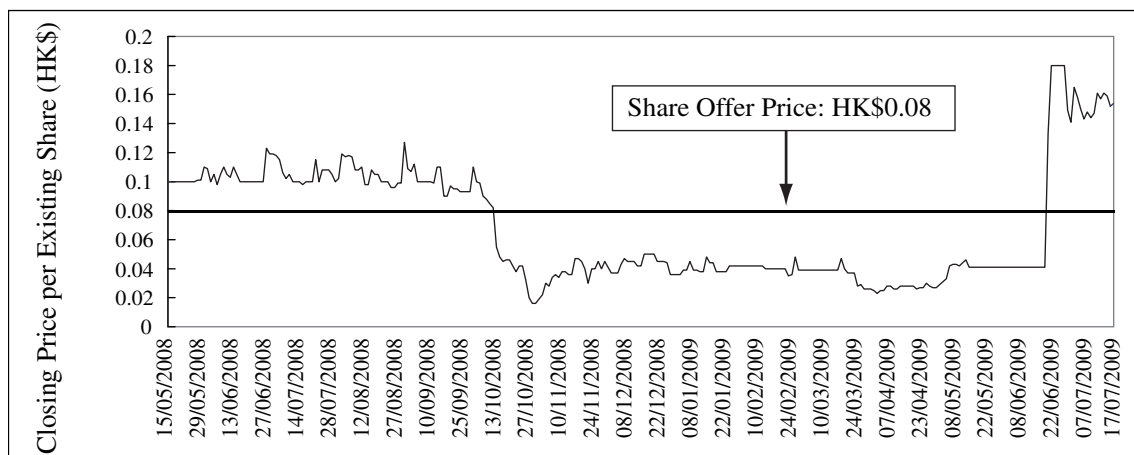
Further terms and conditions of the Share Offer, including the procedures for acceptance, are set out in the “Letter from Optima Capital” and Appendix I to the Composite Document.

As set out in the Placing Announcement, Wise Sun will extend the Offers to all Shareholders, including those Shareholders with Shares issued as a result of the best efforts placing.

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Historical price performance of Existing Shares

The graph below illustrates the closing price of the Existing Shares during the period from 15 May 2008 (being the 12 months period prior to the Last Trading Day) to the Latest Practicable Date (the “**Review Period**”).



Note: Trading of the Existing Shares was suspended from 20 March 2009 to 23 March 2009, from 18 May 2009 to 17 June 2009 and from 11:05 a.m. on 19 June 2009 to 25 June 2009.

Source: website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the closing price of the Existing Shares recorded lowest closing price of HK\$0.016 per Existing Share (recorded on 28 and 29 October 2008) and highest closing price of HK\$0.18 per Existing Share (recorded on 19 June 2009 before suspension at 11:05 a.m.). As can be seen from the graph above, the closing price of the Existing Shares dropped significantly commencing from early October 2008 and reached its lowest on 28 and 29 October 2008 during the Review Period, which is in line with the general decrease in the stock market as a result of the global financial crisis. Starting from November 2008 and until the publication of the Joint Announcement, the drop in closing prices stabilized and the closing prices fluctuated between the range of HK\$0.023 to HK\$0.050.

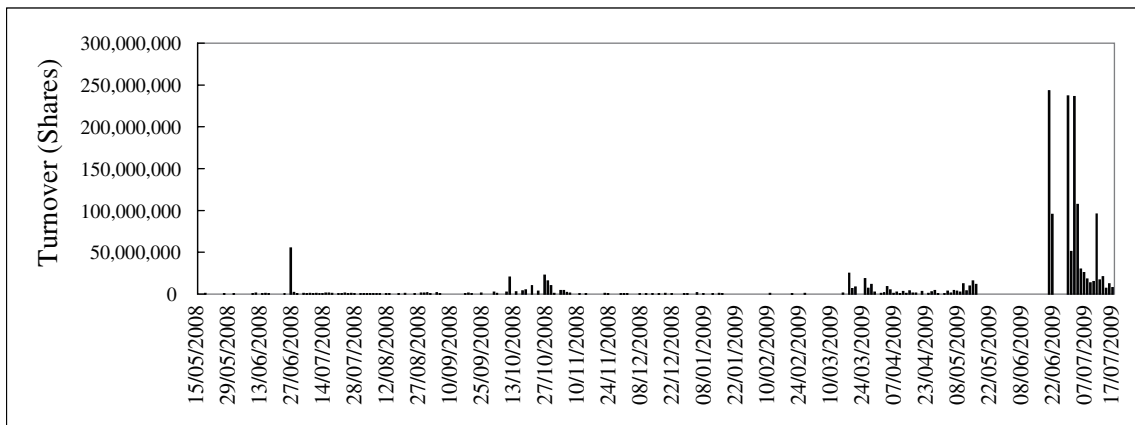
On the Last Trading Day when trading of the Existing Shares was suspended pending the release of the Joint Announcement, the Existing Shares closed at HK\$0.041. Upon resumption of trading of the Existing Shares on 18 June 2009 after release of the Joint Announcement, share price of the Existing Shares surged up to HK\$0.133 and further up to HK\$0.184 on 19 June 2009 (before suspension at 11:05 a.m.). Thereafter, trading of Existing Shares have been again suspended from 19 June 2009 to 25 June 2009 pending the release of the Placing Announcement. The share prices of the Existing Shares since the release of the Placing Announcement has fluctuated between HK\$0.135 and HK\$0.195 until the Latest Practicable Date. The Share Offer Price of HK\$0.08 per Existing Share represents a premium of approximately 14.29% to the average closing price of approximately HK\$0.070 per Existing Share during the Review Period.

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We have confirmed with the Directors, and are of the view that save for the Joint Announcement and the Placing Announcement, there is no other public announcements made by the Company that are price sensitive in nature after release of the Joint Announcement and thus, we believe that the surge in the Existing Share price during the period from the publication of the Joint Announcement and up to the Latest Practicable Date, to a large extent, was likely due to the premium of approximately 95.12% represented by the Share Offer Price over the closing price of the Existing Shares on the Last Trading Day and the market speculation on the change in control of the Company as a result of the S&P Agreement. On the other hand, the Share Placing is placed at a discount of approximately 19.94% to the closing price of the Existing Shares immediately before the suspension at 11:05 a.m. on 19 June 2009, we are of the view that the Share Placing is not the reason for the surge of Share Price after Joint Announcement and up to the Latest Practicable Date.

Liquidity of the Existing Shares

The graph below plotted the daily trading volume of the Existing Shares and the table below set out the average daily number of Existing Shares traded per month/period and the respective percentages of monthly trading volume compared to the issued share capital and the number of issued Existing Shares held by the public Shareholders as at the Latest Practicable Date respectively during the Review Period.



Note: Trading of the Existing Shares was suspended from 20 March 2009 to 23 March 2009, from 18 May 2009 to 17 June 2009 and from 11:05 a.m. on 19 June 2009 to 25 June 2009.

Source: website of the Stock Exchange (www.hkex.com.hk)

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	Average daily trading volume (Existing Shares)	Percentage to the total number of issued Existing Shares (Note 1) (%)	Percentage to the number of issued Existing Shares held by the public Shareholders (Note 2) (%)
2008			
15-30 May	137,833	0.01	0.01
June	3,064,980	0.17	0.27
July	518,439	0.03	0.05
August	407,987	0.02	0.04
September	369,857	0.02	0.03
October	4,841,604	0.27	0.43
November	506,000	0.03	0.05
December	175,573	0.01	0.02
2009			
January	180,556	0.01	0.02
February	84,194	less than 0.01	0.01
March	4,031,024	0.23	0.36
April	1,996,832	0.11	0.18
May (up to the Last Trading Day)	6,758,573	0.38	0.60
Average during the Review Period and before the Last Trading Date	1,632,932	0.09	0.15
June	172,457,812	9.78	15.38
July (up to and including the Latest Practicable Date)	30,673,166	0.26	2.74
Average during the Review Period and after the Last Trading Date	72,374,533	4.11	6.45

Notes:

1. Based on 1,764,114,340 Existing Shares in issue as at the Latest Practicable Date.
2. Based on 1,121,419,160 Existing Shares held by the public Shareholders as at the Latest Practicable Date.
3. Trading of the Existing Shares was suspended from 20 March 2009 to 23 March 2009, from 18 May 2009 to 17 June 2009 and from 11:05 a.m. on 19 June 2009 to 25 June 2009.

Source: website of the Stock Exchange (www.hkex.com.hk)

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As illustrated in the table above, the trading volume of the Existing Shares from the beginning of the Review Period to the Last Trading Day had been extremely thin and average monthly trading volume was in the range of approximately less than 0.01% to approximately 0.38% as to the total number of issued Existing Shares as at the Latest Practicable Date and approximately 0.01% to approximately 0.6% as to the total number of the Existing Shares held by the public Shareholders as at the Latest Practicable Date.

The daily trading volume of the Existing Shares since 18 June 2009, being the first trading day after the release of the Joint Announcement, until the Latest Practicable Date became more active and ranged between approximately 0.39% and approximately 13.81% of the total number of issued Existing Shares and approximately 0.61% and approximately 21.68% of the number of Existing Shares held by the public Shareholders respectively. Trading volume of the Existing Shares on the Latest Practicable Date amounted to 7,508,000 Existing Shares, representing 0.43% of the total number of issued Existing Shares and approximately 0.67% of the number of Existing Shares held by the public Shareholders respectively.

Given (i) the Share Offer Price represents a premium over the average closing price per Existing Share during the Review Period; (ii) the loss-making record of the Company; (iii) the uncertain prospect of the Group; (iv) save for the first few days after the release of the Joint Announcement and the Placing Announcement, in general liquidity of the Existing Shares during the Review Period is low; and (v) the recent unstable conditions in the Hong Kong stock market, so that there is no guarantee that the trading price of the Shares, (even though is currently higher than the Share Offer Price) will sustain at the level of closing prices on or around the Latest Practicable Date and be higher than the Share Offer Price during and after the Offer Period, we consider the Share Offer Price is fair and reasonable. We are also of the view that for the Disinterested Shareholders who may wish to realize their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Existing Shares given the thin trading liquidity. Therefore, we consider that the Share Offer provides a valid exit for the Disinterested Shareholders who would like to realize their investment in the Existing Shares.

Nevertheless, Disinterested Shareholders who intend to dispose part or all of their Existing Shares are reminded to closely monitor the market price and the liquidity of the Existing Shares during the Offer Period and consider selling their Existing Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the disposal of such Existing Shares in the open market would exceed that receivable under the Share Offer. Given that the closing price of the Existing Shares since its resumption of trading on 18 June 2009 and up to the Latest Practicable Date ranging from HK\$0.133 to HK\$0.18 is generally higher than the Share Offer Price of HK\$0.08, the Disinterested Shareholders who are not going to hold the Existing Shares might want to take advantages of the peak performance of the Shares in the stock market to realize a higher price than the Share Offer Price. We therefore, recommend the Disinterested Shareholders who intend to dispose of the Existing Shares, to sell the Existing Shares at the open market if the market trading price during the Offer Period continues to maintain sufficiently higher than the Share Offer Price, in such case, they would realize a higher net amount than they could have if they accept the Offer. On the other hand, should the market price of the Existing Shares substantially fall before the close of the Share Offer, we recommend the Disinterested Shareholders who wish to dispose of their Existing Shares to accept the Share Offer to receive a higher net amount by accepting the Share Offer than by selling their Existing Shares in the market.

Disinterested Shareholder should note that there is no guarantee that the current market price will or will not sustain and will or will not be higher than the Share Offer Price.

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Price-to-earning ratio and price-to-book multiple analysis

In assessing the fairness of the Share Offer Price, it is a common approach to compare the price-to-earning ratio and price-to-book multiple as implied by the Share Offer Price with those of companies listed on the Stock Exchange which are principally engaged in similar businesses as the Company.

The Group is principally engaged in (i) property investment; (ii) entertainment media; (iii) leisure and entertainment events; (iv) media shopping; (v) telecommunication; and (vi) financial services.

(a) Price-to-book multiple analysis

We have conducted a comparable analysis in assessing the fairness and reasonableness of the Share Offer Price through reviewing the price-to-book ratio of companies listed on the Stock Exchange with business nature similar to the Group, i.e. entertainment media; leisure and entertainment events; media shopping; and telecommunication. In order to provide better comparison, we have selected sample with similar market capitalization with that of the Company, which is approximately HK\$271 million as at the Latest Practicable Date and similar net asset value of Company of approximately HK\$47 million, being the latest published audited net asset value. As we would like to draw a comparable analyses base on a representative sample, we include the following 5 cases for comparison, which is an exhaustive list of all the companies listed on the Stock Exchange with similar business of the Company and with market capitalization of less than HK\$700 million and the latest published audited net asset value of less than HK\$100 million (the “Comparables”), we consider that the cases below are fair comparison to the Company given the sample size is representable. The following table sets out the respective financial information of the respective Comparables:

Company name	Stock Code	Principal Activities	Closing Price as at the Latest Practicable Date	Market capitalisation as at the Latest Practicable Date (million)	Latest published audited net asset value (million)	Price-to-book
Mobile Telecom Network (Holdings) Ltd.	8266	Development, provision and sales of mobile internet communication telecommunications and related services.	0.171	80.95	27.30	296.52%
Prosten Technology Holdings Ltd	8026	Provision of solution integration services and wireless mobile value add service.	0.25	149.42	59.74	250.12%
Era Information & Entertainment Ltd.*	8043	Home video products distribution, theatrical release arrangement, film rights sub-licensing and games distribution.	0.18	71.84	10.82	664%

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Company name	Stock Code	Principal Activities	Closing Price as at the Latest Practicable Date	Market capitalisation as at the Latest Practicable Date (million)	Latest published audited net asset value (million)	Price-to-book
Zheda Lande Scitech Ltd. - H Shares	8106	Provision of telecommunication solutions, trading of hardware and computer software, provision of telecommunication value-added services and investment holding.	0.30	33.64	97.99	34.33%
SMI Corporation Ltd.	198	Movies, television dramas and documentary production, distribution and licensing; property investment; provision of finance; franchising of entertainment complexes and theme restaurant; securities investment and music production.	0.164	51.51	36.07	142.81%
Min						34.33%
Max						296.52%*
Mean						180.95%*

Source: website of the Stock Exchange (www.hkex.com.hk)

* In our comparison and following analysis, we had excluded the case of Era Information & Entertainment Limited (Stock Code: 8043) in making our comparison. The reason for excluding this case is due to the recent increase in the stock price which leads to the market capitalization significantly greater than the net asset value (based on the closing price of HK\$0.18 per share as at the Latest Practicable Date, the market capitalization of this company is HK\$71.84 million which is significantly higher than its net asset value of HK\$10.82 million). The surge in share price was due to a very substantial acquisition announced by the company previously, in which the company will change its existing business to infrastructure and equipment manufacturing related industries which the company believes to be of better prospect and have positive impact on the share price. On the other hand, the net asset value of the company is based on historical accounting record which did not reflect the possible positive impact brought by the aforesaid acquisition, and this made the price-to-book value of this comparable an extreme figure of 644%. We therefore exclude this case in our comparison.

In the following analysis, we exclude the case of Era Information & Entertainment Limited (Stock Code: 8043) for analysis as analyzed above.

We noted that the Share Offer Price of HK\$0.08 represents approximately 181.82% of the adjusted net asset value of HK\$0.044 per Existing Share, which is based on audited consolidated net asset value of the Group as at 31 December 2008 of HK\$47,012,000 and adjusting for the loss of HK\$10,626,000 from the disposal of Million Year Consultants Limited, and the net proceed of HK\$41,300,000 from the Share Placing and the total issued share capital of 1,764,114,340 Existing Shares as at the Latest Practicable Date. The price to book ratio of the Share Offer Price to the net asset value of the Group of 181.82%

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fall within the range of the 34.33% to 296.52% and is slightly higher than the mean of 180.95% of the reference price-to-book ratio in the market of similar business to the Group. Given the above analysis, we noted that the Share Offer Price is comparable to the benchmark market price-to-book ratio as illustrated by the Comparables, and we are of the view that the Share Offer Price is fair and reasonable so far as the Company and Independent Shareholders are concerned.

(b) Price-to-earning ratio analysis

The Group has recorded loss for 10 years. The loss of approximately HK\$107.21 million for the year ended 31 December 2008 reported make the comparison by price-to-earning ratio meaningless. Therefore no comparison of price-to-earning ratio with the comparable can be made.

Therefore, we can only made comparison with the price-to-book ratio of the Company.

The CB Offer

As advised by the Company, at the Latest Practicable Date, there was in issue the Existing CB conferring rights on the holder to convert up to a maximum of 68,571,428 Existing Shares (the “CB Conversion Shares”) at the prevailing conversion price of HK\$0.105 per Existing Share. The Existing CB carries an interest of 5% per annum on the principal amount of HK\$7,200,000, payable by the Company on the maturity date at 12 March 2010. For details of the Existing CB, please refer to the announcement of the Company dated 26 September 2008. Trading in the Existing Shares has been suspended from 18 May 2009 to 17 June 2009 (both days inclusive). As set out in the Joint Announcement, under the terms of the Existing CB (particulars of which are set out in the announcement of the Company dated 26 September 2008), its holder may require immediate redemption of the Existing CB at its face value (together with interest accrued thereon) if the Shares cease to be listed on the Stock Exchange for a continuous period of 14 trading days. The Company has confirmed that as at the Latest Practicable Date, it has not received any demand for redemption from the CB Holder.

Pursuant to Rules 13.1 and 13.4 of the Takeovers Code, subject to the Share Offer becoming unconditional, Wise Sun is also required to make a comparable cash offer for the Existing CB on the following terms:

For each HK\$1 face value of the Existing CB HK\$0.7619 in cash

The offer price for the CB Offer is determined based on the Share Offer Price of HK\$0.08 divided by the prevailing conversion price of the Existing CB of HK\$0.105. On the basis of the Share Offer Price of HK\$0.08 and the conversion price of the Existing CB of HK\$0.105, the CB Offer is valued at approximately HK\$5.5 million.

Acceptance of the CB Offer by the holder of the Existing CB will, subject to the Share Offer becoming unconditional, be deemed to constitute a warranty by such holder of the Existing CB that all Existing CB sold under the CB Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto on or after the date of the Joint Announcement and that such holder of the Existing CB will surrender to the Company all of his existing rights, if any, in respect of the Existing CB.

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On the basis of each HK\$1 face value of the Existing CB will be offered for HK\$0.7619 in cash and the conversion price of the Existing CB of HK\$0.105 per Existing Share, each underlying Existing Share which may fall to be allotted and issued upon the exercise of the conversion rights attached to the Existing CB will be valued at HK\$0.08 under the CB Offer, which is same as the Share Offer Price. As we are of the opinion that the Share Offer is fair and reasonable, we consider the CB Offer is fair and reasonable and accordingly advise the CB Holder to accept the CB Offer.

Nevertheless, the CB Holder is reminded that the CB Holder can at maturity (if not converted by the CB Holders or early redeemed by the Company) choose to receive the full repayment of the principal amount of the Existing CB of HK\$7,200,000 plus accrued interest of the Existing CB which in aggregate are more than the total amount receivable under the CB Offer of HK\$5,485,680 and the CB Holder will, after accepting the CB Offer, lose all the interest accrued to the Existing CB.

In addition, the CB Holder is reminded to closely monitor the market price and the liquidity of the Existing Shares during the Offer Period and consider converting their Existing CB and selling their Shares in the open market, instead of accepting the CB Offer (or Share Offer), if the net proceeds from the disposal of such Existing Shares in the open market would exceed that receivable under the CB Offer.

Given that the closing price of the Existing Share since its resumption of trading on 18 June 2009 and up to the Latest Practicable Date ranging from HK\$0.133 to HK\$0.18 is generally higher than the conversion price of the Existing CB of HK\$0.105 per Existing Share, the CB Holder might take advantages to convert their Existing CB and sell the CB Conversion Shares in the open market. However, in view of the low trading liquidity record of the Existing Shares and the time required for the conversion and exercise of the right of the Existing CB, they might not be able to take the immediate advantage by selling the CB Conversion Shares in the market at the trading price prevailing at the time the CB Holder makes such conversion decision because CB Holder would first have to convert its Existing CB into CB Conversion Shares, and are therefore, having less flexibility than the Shareholders. Therefore CB Holder should be aware of the risk involved when they convert the Existing CB.

The Option Offer

As set out in the Letter from the Board, as at the Latest Practicable Date, there are 24,236,560 Options outstanding of which 3,161,290 Options with exercise price of HK\$0.18 per Existing Share (the "Option A") and 21,075,270 Options with exercise price of HK\$0.549 per Existing Share. Pursuant to Rules 13.4 and 13.5 of the Takeovers Code, subject to the Share Offer becoming unconditional, Wise Sun is also required to make a comparable cash offer to cancel all the outstanding Options on the following terms:

For cancellation of every Option

carrying right to subscribe for one Existing Share HK\$0.0001 in cash

As set out in the Letter from Optima Capital, as the exercise prices of the Options is higher than the Share Offer Price of HK\$0.08, the Options are out-of-money when compared to the Share Offer Price. In such circumstances, the Option Offer is being made only at a nominal price of HK\$0.0001 for the cancellation of each outstanding Option carrying right to subscribe for one Existing Share. The total amount required to satisfy cancellation of all the outstanding Options is approximately HK\$2,424.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Any Option Holders accepting the Option Offer in respect of all or part of their Options will surrender and give up its subscription rights attaching thereto on or after the date of the Joint Announcement.

In accordance with the terms of the Share Option Scheme, the Company will give notice to Option Holders to permit them to exercise their Options to their full extent at any time within 14 days immediately following the date on which the Share Offer becomes or is declared unconditional, after which the Options shall lapse according to the terms of the Share Option Scheme.

The principle of equality of treatment has been applied under the Takeovers Code, i.e. a “see through” price has been adopted to make the Option Offer. The “see through” price refers to the difference between the offer price for each share subject to a general offer less any given exercise or subscription price of an option, and will be the minimum reasonable offer price for any option under a general offer. As the exercise prices of the Options are higher than the Share Offer Price of HK\$0.08, the Options are out-of-money when compared to the Share Offer Price. As we are of the opinion that the Share Offer Price is fair and reasonable, we consider the Option Offer is fair and reasonable.

Subsequent to the publication of the Joint Announcement and up to the Latest Practicable Date, the closing price of the Existing Share had reached HK\$0.18 per Existing Share on 18 June 2009 which is equal to the exercised price of the Option A. We considered that as the share prices fluctuate from time to time, there is no guarantee that existing share price will sustain during Offer Period and there is no guarantee that the options will be in-the-money.

Background of Wise Sun and its intention regarding the future of the Group

(a) Information on Wise Sun

As set out in “Letter from Optima Capital”, Wise Sun is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Bright Ace Holdings Limited. Bright Ace Holdings Limited is in turn beneficially owned as to 50% each by Mr. Suen and Mr. Zhou. The principal activity of Wise Sun is investment holding and the principal assets held by Wise Sun are the Sale Shares acquired from Quants. As at the Latest Practicable Date, Mr. Suen and Mr. Zhou are the only directors of Wise Sun and Bridge Ace Holdings Limited.

Mr. Suen, aged 48, has been the Chairman of Yunnan Tin Minerals since July 2002. Mr. Suen holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has over 15 years of experience in international trading of metals, minerals and raw materials, manufacturing of metal products, property investment as well as management and corporate planning of industrial enterprises in the PRC. Mr. Suen is an executive director, the Chairman and a substantial shareholder of Yunnan Tin Minerals beneficially interested in approximately 19.50% of its issued share capital. Mr. Suen is also an executive director, the Chairman and a substantial shareholder of Poly Development Holdings Limited (stock code: 1141) beneficially interested in approximately 22.88% of its issued share capital.

Mr. Zhou, aged 40, was graduated from E.M. Lyon in France with a Master’s degree in business administration. He has over 10 years’ experience in operation, administrative affairs and strategic planning. Mr. Zhou is currently an executive director of Jiayou Home Shopping Co., Ltd. which has been granted an approval from the State Administration of Radio Film and Television in the PRC for carrying out trading business on television and multimedia in the PRC. He had been an executive director of Hi Sun

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Technology (China) Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 818), until 19 November 2006.

(b) Intention of Wise Sun

As set out in “Letter from Optima Capital”, it is the intention of Wise Sun that the Group will continue its existing principal activities. Wise Sun does not intend to introduce any major changes to the existing operation and business of the Company by reason only of the Offers. Wise Sun will nevertheless explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. In the event that any such opportunities materialise, further announcement(s) will be made by the Company as and when required by the Listing Rules. As at the Latest Practicable Date, Wise Sun has no detailed plans for acquisition of any specific assets and/or business(es) by the Group, and has not yet identified any specific target of acquisition.

According to the above, we consider that there should not be any material changes on the business operations of the Group immediately following the close of the Offers.

(c) Directors and management

As set out in “Letter from Optima Capital”, Wise Sun intends to nominate Mr. Zhou, Mr. Lo Ming Chi, Charles and Mr. Fan Lei as executive Directors and Ms. Lau Cheong and Mr. Duan Xiongfei as independent non-executive Directors and the effective date of such appointments will take effect from the Business Day immediately following the date of despatch of the Composite Document. The existing business will continue to be operated by the existing employees of the Group under the supervision and management of the new executive Board.

Biographical details of Mr. Zhou are set out in the paragraph headed “Information on Wise Sun” above. Biographical details of Mr. Lo Ming Chi, Charles, Mr. Fan Lei, Ms. Lau Cheong and Mr. Duan Xiongfei are set out as below:

Executive Directors to be appointed

Mr. Lo Ming Chi, Charles, JP, aged 59, is a Certified Practising Accountant in Australia and is the fellow of the Financial Services Institute of Australasia. Mr. Lo is currently a Deputy Chairman and the Chief Executive Officer of Poly Development Holdings Limited (stock code: 1141) and an independent non-executive director of Hembly International Holdings Limited (stock code: 3989), Tak Sing Alliance Holdings Limited (stock code: 126) and Cash Financial Services Group Limited (stock code: 510). He was an executive director of New Century Group Hong Kong Limited (stock code: 234) from 29 March 1999 to 1 February 2009. He was also an independent non-executive director of Artfield Group Limited (stock code: 1229) from 16 September 1998 to 11 April 2008, Cash Retail Management Group Limited (stock code: 996) (formerly known as Pricerite Group Limited) from 3 November 2003 to 16 November 2006 and Freeman Corporation Limited (stock code: 279) from 23 September 2004 to 21 August 2006. All of which are listed on The Stock Exchange of Hong Kong Limited. He has over 29 years of experience in financial and investment services in Australia, Hong Kong and other Asian countries.

Mr. Fan Lei, aged 35, graduated from Wuhan University with a bachelor degree in economics with major in investment economics. He has over 10 years of experience in banking industry including asset management in the PRC. He is currently the Chief Investment Director of Beijing Changhe Century Asset Management Limited.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Independent non-executive Directors to be appointed

Mr. Duan Xiongfei, aged 40, holds a master degree of economics from The University of Chicago. He is an associate member of National Futures Association in the United States of America and has over 15 years of experience in securities trading and investment industry. He is currently the Managing Partner of Shanghai Ruiyue Capital Management, Inc. and the Partner of Guarda Capital Management Inc. in Canada which qualifies as a registered commodity trading advisor in the United States of America.

Ms. Lau Cheong, aged 25, holds a master degree in public policy and management and a bachelor's degree in business administration from University of Southern California. She obtained three broker qualifications in the United States of America and previously worked in Morgan Stanley & Co. Incorporated. She is currently the President of Ponticello International Group Incorporated.

Further announcement will be made by the Company in respect of the appointments of the Directors pursuant to Rule 13.51(2) of the Listing Rules as and when appropriate.

RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, in particular, taking into account that:

- (i) the continuous loss making situation of the Group since 1999;
- (ii) the operating environment of the Group has turned unfavourable as a result of the global financial crisis;
- (iii) the shrinking of the turnover in major business segments of the Group whilst no concrete plans have been formulated for turning around the Group's results;
- (iv) notwithstanding that the share price surged for the first two days after the publication of the Joint Announcement, in view of the recent unstable conditions in the Hong Kong stock market, there is no guarantee that the trading price of the Shares will sustain at the level of closing prices on or around the Latest Practicable Date and be higher than the Shares Offer Price during and after the Offer Period;
- (v) the Share Offer Price represents a premium over the closing price on the Last Trading Day and the average closing price per Existing Share during the Review Period; and
- (vi) save for the first few days after the release of the Joint Announcement and the Placing Announcement, the trading liquidity of the Existing Shares is generally thin during the Review Period;

we are of the opinion that the Offers are fair and reasonable so far as the Disinterested Shareholders, CB Holder and Option Holders are concerned. Accordingly, we recommend the Independent Board Committee to advise (i) the Disinterested Shareholders to accept the Share Offer; and (ii) the CB Holder and Option Holders to accept the CB Offer and the Option Offer respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Disinterested Shareholders, CB Holder and Option Holders, in particular those who intend to accept the Offers, are reminded to note the recent fluctuation in the Existing Share price after the release of the Joint Announcement, and that there is no guarantee that the current market price will or will not sustain and will or will not be higher than the Share Offer Price during and after the Offer Period. The Disinterested Shareholders, CB Holder and Option Holders who intend to accept the Offers are also reminded to closely monitor the market price and the liquidity of the Existing Shares during the Offer Period and shall, having regard to their own circumstances, consider converting/exercising their Existing CB and Options (as the case maybe) and selling their Existing Shares in the open market, instead of accepting the Offers, if the net proceeds from the sale of such Existing Shares would be higher than that receivable under the Offers.

The CB Holder is reminded that the CB Holder can at maturity choose to receive the full repayment of the principal amount of the Existing CB plus accrued interest of the Existing CB which in aggregate are more than the total amount receivable under the CB Offer and the CB Holder will, after accepting the CB Offer, lose all the interest accrued to the Existing CB. Given that the closing price of the Existing Share since its resumption of trading on 18 June 2009 and up to the Latest Practicable Date is generally higher than the conversion price of the Existing CB, the CB Holder might take advantages to convert their Existing CB and sell the CB Conversion Shares in the open market. However, CB Holder should be aware of the risk involved when they convert the Existing CB that they might not be able to sell the CB Conversion Shares in the market at the trading price prevailing at the time the CB Holder makes such conversion decision.

Nevertheless, Disinterested Shareholders, CB Holder and Option Holders who decide to retain part or all of their investments in the Shares, the Existing CB and the Options should carefully consider the potential difficulties they may encounter in disposing their investments in the Shares after the close of the Offers in view of the historical low liquidity of the Share.

The Disinterested Shareholders, the CB Holder and the Option Holders should note that the Offers are conditional upon valid acceptances having been received in respect of such number of Existing Shares which, together with the Existing Shares already owned or to be acquired by Wise Sun, its ultimate beneficial owner and parties acting in concert with any of them during the Offer Period, will result in Wise Sun, its ultimate beneficial owner and parties acting in concert with any of them holding more than 50% of the voting rights in the Company.

The Disinterested Shareholders, the CB Holder and the Option Holders should read carefully the procedures for accepting the Offers detailed in Appendix I to the Composite Document.

Your faithfully,
For and on behalf of
INCUCorporate Finance Limited
Gina Leung **Thomas Lee**
Managing Director *Director*

1. PROCEDURES FOR ACCEPTANCE**1.1 The Share Offer**

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) by post or by hand, to the Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in any event not later than 4:00 p.m. on Monday, 10 August 2009 or such later time and/or date as Wise Sun may determine and announce in accordance with the Takeovers Code.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:
- (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the **WHITE** Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to Wise Sun and/or Optima Capital or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Acceptance.
- (d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Acceptance is received by the Registrar on or before the latest time for acceptance of the Share Offer and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
 - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of you, the person accepting the Share Offer, executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

- (ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
- (iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (f) Seller's ad valorem stamp duty payable by the Disinterested Shareholders who accept the Share Offer and calculated at a rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the market value of the Offer Shares or consideration payable by Wise Sun in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by Wise Sun to the relevant Disinterested Shareholders on acceptance of the Share Offer. Wise Sun will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Disinterested Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.
- (g) If the Share Offer is withdrawn or lapses, Wise Sun shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the **WHITE** Form of Acceptance to the relevant Disinterested Shareholder(s).
- (h) No acknowledgement of receipt of any **WHITE** Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2 The CB Offer

- (a) If you accept the CB Offer, you should complete the **PINK** Form of Acceptance in accordance with the instructions printed thereon in respect of the principal amount of the Existing CB held by you that you wish to tender to the CB Offer, which instructions form part of the terms and conditions of the CB Offer.
- (b) The completed **PINK** Form of Acceptance should be forwarded, together with the relevant certificate(s) of the Existing CB and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) which you intend to accept the CB Offer, by post or by hand as soon as possible and in any event so as to reach the company secretary of the Company at 3/F., Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong no later than 4:00 p.m. on Monday, 10 August 2009 or such later time and/or date as Wise Sun may determine and announce in accordance with the Takeovers Code.

- (c) If the CB Offer is withdrawn or lapses, Wise Sun shall, as soon as possible but in any event within 10 days thereof, return by hand or by ordinary post the certificate(s) of the Existing CB and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the **PINK** Form of Acceptance to the relevant holder(s) of the Existing CB.
- (d) No stamp duty will be deducted from the amount paid to the holder(s) of the Existing CB who accept(s) the CB Offer.
- (e) No acknowledgement of receipt of any **PINK** Form of Acceptance and/or the certificate(s) of the Existing CB and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.3 The Option Offer

- (a) If you accept the Option Offer, you should complete the **BLUE** Form of Acceptance in accordance with the instructions printed thereon in respect of the number of Options held by you that you wish to tender to the Option Offer, which instructions form part of the terms and conditions of the Option Offer.
- (b) The completed **BLUE** Form of Acceptance should be forwarded, together with the relevant certificate(s) of the Option stating the number of Options for not less than the number in respect of which you intend to accept the Option Offer, by post or by hand as soon as possible and in any event so as to reach the company secretary of the Company at 3/F., Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong no later than 4:00 p.m. on Monday, 10 August 2009 or such later time and/or date as Wise Sun may determine and announce in accordance with the Takeovers Code.
- (c) If the Option Offer is withdrawn or lapses, Wise Sun shall, as soon as possible but in any event within 10 days thereof, return by hand or by ordinary post the certificate(s) of the Options lodged with the **BLUE** Form of Acceptance to the relevant holder(s) of the Options.
- (d) No stamp duty will be deducted from the amount paid to the holder(s) of the Options who accept(s) the Option Offer.
- (e) No acknowledgement of receipt of any **BLUE** Form of Acceptance and/or the certificate(s) of the Options will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid, Form(s) of Acceptance for the Offers must be received by the Registrar (in case of the Share Offer) and the company secretary of the Company (in case of the CB Offer and the Option Offer) in accordance with the instructions printed thereon by 4:00 p.m. on Monday, 10 August 2009, unless the Offers become or are declared unconditional, or are extended or revised with the consent of the Executive. The Offers are conditional upon Wise Sun having received acceptances in respect of the Existing Shares which, together with the Existing Shares already held or acquired by it and parties acting in concert with it before or during the Offer Period, will result in Wise Sun and parties acting in concert with it holding more than 50% of the voting rights of the Company. Pursuant to the Takeovers Code, where the Share Offer is declared unconditional, the Offers will remain open for acceptance for not less than 14 days thereafter. Wise Sun will make an announcement as and when the Offers become or are declared unconditional.
- (b) Wise Sun reserves the right to revise the Offers after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If Wise Sun revises the terms of the Offers, all Disinterested Shareholders, holder of the Existing CB and holders of the Options, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.
- (c) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date or the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to the Disinterested Shareholders, the holder of the Existing CB and the holders of the Options who have not accepted the Offers, and an announcement will be released. The revised Offers must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (d) If the closing date of the Offers is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.

3. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the First Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), Wise Sun must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offers. Wise Sun must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating whether the Offers have been revised or extended, have expired or have become or been declared unconditional (whether as to acceptances or in all respects).

The announcement will state the total number of Shares and rights over Shares, Existing CB or Options:

- (a) for which acceptances of the Offers have been received;
- (b) held, controlled or directed by Wise Sun or its concert parties before the Offer Period; and
- (c) acquired or agreed to be acquired during the Offer Period by Wise Sun or any of its concert parties.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which Wise Sun or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (b) In computing the total number of Shares, Existing CB and Options represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Registrar (as regards the Share Offer) or the company secretary of the Company (as regards the CB Offer and the Option Offer) no later than 4:00 p.m. on the First Closing Date shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of the Offers will be made in accordance with the requirements of Listing Rules.

4. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by the Disinterested Shareholders, the holder of the Existing CB and the holders of the Options, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of any of the Offers shall be entitled to withdraw his/her/its acceptance within 21 days from the First Closing Date if the Offers have not by then become unconditional as to acceptances. An acceptor of any of the Offers may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar or the company secretary of the Company, as the case may be.
- (b) If Wise Sun is unable to comply with the requirements set out in the paragraph headed “Announcements” above, the Executive may require that the Disinterested Shareholders, the holder of the Existing CB and the holders of the Options who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

5. SETTLEMENT OF THE OFFERS**(a) The Share Offer**

Subject to the Share Offer becoming or being declared unconditional and provided that a valid **WHITE** Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the accepting Disinterested Shareholders less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him under the Share Offer will be despatched to such Disinterested Shareholder by ordinary post at his own risk as soon as possible but in any event within 10 days of the later of the date on which the Share Offer becomes or is declared unconditional and the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any Disinterested Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which Wise Sun may otherwise be, or claim to be, entitled against such Disinterested Shareholder.

(b) The CB Offer

Subject to the Share Offer becoming or being declared unconditional and provided that a valid **PINK** Form of Acceptance and the relevant certificate(s) of the Existing CB and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the company secretary of the Company before the close of the CB Offer, a cheque for the amount due to the holder of the Existing CB in respect of the Existing CB tendered by him under the CB Offer will be despatched to such holder of the Existing CB by ordinary post at his own risk as soon as possible but in any event within 10 days of the later of the date on which the CB Offer becomes or is declared unconditional and the receipt of all the relevant documents by the company secretary of the Company to render such acceptance complete and valid.

Settlement of the consideration to which the holder of the Existing CB is entitled under the CB Offer will be implemented in full in accordance with the terms of the CB Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which Wise Sun may otherwise be, or claim to be, entitled against such holder of the Existing CB.

(c) The Option Offer

Subject to the Share Offer becoming or being declared unconditional and provided that a valid **BLUE** Form of Acceptance and the relevant certificate(s) of the Options are complete and in good order in all respects and have been received by the company secretary of the Company before the close of the Option Offer, a cheque for the amount due to the holder of the Options in respect of the Options tendered by him under the Option Offer will be despatched to such holder of the Options by ordinary post at his own risk as soon as possible but in any event within 10 days of the later of the date on which the Option Offer becomes or is declared unconditional and the receipt of all the relevant documents by the company secretary of the Company to render such acceptance complete and valid.

Settlement of the consideration to which any holder of the Options is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which Wise Sun may otherwise be, or claim to be, entitled against such holder of the Options.

6. OVERSEAS SHAREHOLDERS AND OVERSEAS CB AND OPTION HOLDERS

The making of the Offers to Overseas Shareholders and Overseas CB and Option Holders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders and Overseas CB and Option Holders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each person wishing to accept the Offers to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due by such Overseas Shareholder and/or Overseas CB and Option Holder in respect of such jurisdiction. Acceptances of the Offers by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to accept the Offers and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

7. GENERAL

- (a) All communications, notices, Forms of Acceptance, Share certificates, certificates of the Existing CB, certificates of the Options, transfer receipts, other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Disinterested Shareholders, the holder of the Existing CB and the holders of the Options will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of the Company, Wise Sun, Optima Capital and any of their respective agents nor the Registrar or the company secretary of the Company or other parties involved in the Offers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form(s) of Acceptance form part of the terms and conditions of the Offers.

- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to Wise Sun, Optima Capital or such person or persons as Wise Sun may direct to complete and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in Wise Sun, or such person or persons as it may direct, the Shares and/or the Existing CB and/or the Options in respect of which such person or persons has/have accepted the Offers.
- (f) Acceptance of the Share Offer by any person will be deemed to constitute a warranty by such person to Wise Sun and the Company:
 - (i) that the Shares tendered for acceptance under the Share Offer are sold by such person free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights accruing or attaching thereto on or after the date of the Joint Announcement or subsequently becoming attached to them, including, without limitation, the rights to receive all future dividends and/or other distributions declared, paid or made, if any, on or after the date of the Joint Announcement; and
 - (ii) that if such Shareholder accepting the Share Offer is an Overseas Shareholder, he has observed the laws of all relevant jurisdictions in connection therewith, obtained all requisite governmental, exchange control or other consents, complied with other necessary formalities or legal requirements and paid any transfer or other taxes due from him in respect of such jurisdictions, and is permitted under all applicable laws to accept the Share Offer and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.
- (g) Acceptances of the CB Offer and the Option Offer by the holder of the Existing CB and any holder of the Options respectively will be deemed to constitute a warranty by such holder of the Existing CB and holders of the Options to Wise Sun that the Existing CB and the Options tendered for acceptance are free from all third party rights, liens, claims, charges, equities, and encumbrances whatsoever and renounced together with all rights accruing or attaching thereto on or after the date of the Joint Announcement and that such holder of the Existing CB and holder of the Options will surrender to the Company all of his existing rights, if any, in respect of the Existing CB and/or the Options.

- (h) Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to Wise Sun that the number of Shares in respect of which it is indicated in the **WHITE** Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Share Offer.

- (i) Reference to the Offers in this Composite Document and in the Form(s) of Acceptance shall include any extension or revision thereof and references to the Offers becoming unconditional shall include a reference to the revised Offers being declared unconditional.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three years ended 31 December 2008.

The Company's auditors, SLP Horwath, have not issued any qualified opinion on the Group's financial statements for the three years ended 31 December 2006, 2007 and 2008.

RESULTS

	Year ended 31 December		
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (Reclassified)
TURNOVER			
Continuing operations	39,051	40,155	35,330
Discontinued operations	–	4,909	97,905
	<u>39,051</u>	<u>45,064</u>	<u>133,235</u>
COST OF SALES AND SERVICES			
Continuing operations	(53,918)	(22,609)	(18,490)
Discontinued operations	–	–	(51,606)
	<u>(53,918)</u>	<u>(22,609)</u>	<u>(70,096)</u>
GROSS (LOSS)/PROFIT			
Continuing operations	(14,867)	17,546	16,840
Discontinued operations	–	4,909	46,299
	<u>(14,867)</u>	<u>22,455</u>	<u>63,139</u>
LOSS BEFORE TAXATION			
Continuing operations	(107,766)	(50,372)	(23,625)
Discontinued operations	–	(13,876)	(1,797)
	<u>(107,766)</u>	<u>(64,248)</u>	<u>(25,422)</u>
TAXATION			
Continuing operations	557	(330)	(4,305)
Discontinued operations	–	(211)	(516)
	<u>557</u>	<u>(541)</u>	<u>(4,821)</u>

	Year ended 31 December		
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000 (Reclassified)
LOSS FOR THE YEAR			
Continuing operations	(107,209)	(50,702)	(27,930)
Discontinued operations	–	(14,087)	(2,313)
	<u>(107,209)</u>	<u>(64,789)</u>	<u>(30,243)</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO			
Equity holders of the Company	(107,117)	(64,872)	(30,043)
Minority interests	(92)	83	(200)
	<u>(107,209)</u>	<u>(64,789)</u>	<u>(30,243)</u>
LOSS PER SHARE			(Restated)*
Basic (from continuing and discontinued operations)	HK\$(0.073)	HK\$(0.060)	HK\$(0.033)
Basic (from continuing operations)	HK\$(0.073)	HK\$(0.047)	HK\$(0.030)

* restate because of the open offer and subdivision of shares of the Company in the financial year 2007

	As at 31 December		
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets	144,821	169,482	434,328
Current assets	28,251	28,164	109,617
Total assets	173,072	197,646	543,945
Current liabilities	80,047	30,540	124,866
Total assets less current liabilities	93,025	167,106	419,079
Non-current liabilities	46,013	14,255	300,510
Net assets	<u>47,012</u>	<u>152,851</u>	<u>118,569</u>
Minority interests	<u>1,951</u>	<u>2,043</u>	<u>4</u>

Notes:

1. There is no extraordinary and exceptional item for the three years ended 31 December 2006, 2007 and 2008.
2. There is no dividend declared or paid for the three years ended 31 December 2006, 2007 and 2008.

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 DECEMBER 2008

Set out below are the audited financial statements of the Group for the two years ended 31 December 2008 which are published in the Company's annual report 2008.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Continuing operations			
Turnover	5	39,051	40,155
Cost of sales and services		(53,918)	(22,609)
Gross (loss)/profit		(14,867)	17,546
Other income and gains	6	11,794	4,268
Selling and distribution expenses		(8,109)	(257)
Administrative expenses and other net operating expenses		(67,247)	(57,842)
Finance costs	8	(4,742)	(4,730)
Fair value losses on investment properties, net	14	(24,986)	(182)
Write-back of allowance/(additional allowance) for doubtful debts		391	(9,175)
Loss before taxation		(107,766)	(50,372)
Taxation	10	557	(330)
Loss for the year from continuing operations		(107,209)	(50,702)
Discontinued operation			
Loss for the year from discontinued operation	11	–	(14,087)
Loss for the year	7	(107,209)	(64,789)
Attributable to:			
Equity holders of the Company		(107,117)	(64,872)
Minority interests		(92)	83
		<u>(107,209)</u>	<u>(64,789)</u>
Dividend	23	–	–
Loss per share:			
From continuing and discontinued operations – Basic	12	<u>HK\$(0.073)</u>	<u>HK\$(0.060)</u>
From continuing operations – Basic		<u>HK\$(0.073)</u>	<u>HK\$(0.047)</u>

CONSOLIDATED BALANCE SHEET

at 31 December 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	3,609	4,252
Investment properties	14	140,820	164,440
Intangible assets	15	392	790
		<u>144,821</u>	<u>169,482</u>
Current assets			
Trading merchandise goods		69	37
Trade receivables, other receivables and prepayments	17	19,182	14,259
Bank balances and cash	18	9,000	13,868
		<u>28,251</u>	<u>28,164</u>
Current liabilities			
Trade payables, other payables and accruals	19	30,763	18,022
Bank and other borrowings	20	48,763	938
Convertible bonds	21	–	11,213
Tax payable		521	367
		<u>80,047</u>	<u>30,540</u>
Net current liabilities		<u>(51,796)</u>	<u>(2,376)</u>
Total assets less current liabilities		<u>93,025</u>	<u>167,106</u>
Non-current liabilities			
Bank and other borrowings	20	34,980	8,399
Convertible bond	21	5,664	–
Deferred tax liabilities	10	5,369	5,856
		<u>46,013</u>	<u>14,255</u>
Net assets		<u><u>47,012</u></u>	<u><u>152,851</u></u>

CONSOLIDATED BALANCE SHEET *(Continued)*
at 31 December 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
EQUITY			
Share capital	22	147,004	147,004
Reserves		(101,943)	3,804
Equity attributable to equity holders of the Company		45,061	150,808
Minority interests		1,951	2,043
Total equity		<u>47,012</u>	<u>152,851</u>

BALANCE SHEET

at 31 December 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	3	9
Interests in subsidiaries	16	111,106	156,230
		<u>111,109</u>	<u>156,239</u>
Current assets			
Other receivables and prepayments	17	5,645	891
Tax recoverable		–	37
Bank balances and cash		6,037	8,999
		<u>11,682</u>	<u>9,927</u>
Current liabilities			
Other payables and accruals	19	1,639	3,052
Bank and other borrowings	20	48,255	–
Convertible bonds	21	–	11,213
		<u>49,894</u>	<u>14,265</u>
Net current liabilities		<u>(38,212)</u>	<u>(4,338)</u>
Total assets less current liabilities		<u>72,897</u>	<u>151,901</u>
Non-current liabilities			
Bank and other borrowings	20	26,890	–
Convertible bond	21	5,664	–
Deferred tax liabilities	10	–	385
		<u>32,554</u>	<u>385</u>
Net assets		<u><u>40,343</u></u>	<u><u>151,516</u></u>
EQUITY			
Share capital	22	147,004	147,004
Reserves	23	(106,661)	4,512
Total equity		<u><u>40,343</u></u>	<u><u>151,516</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Warrants reserve	Convertible bonds - equity component	Land and buildings revaluation reserve	Share option 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
Notes		Note 23(i)	Note 23(ii)	Note 23(iii)	Note 23(iv)	Note 23(v)	Note 23(vi)	Note 23(vii)				
At 1 January 2007	90,173	18,547	-	-	7,355	8,436	165,144	(632)	(170,458)	118,565	4	118,569
Expense recognised directly in equity - exchange differences	-	-	-	-	-	-	-	(355)	-	(355)	-	(355)
Loss for the year	-	-	-	-	-	-	-	-	(64,872)	(64,872)	83	(64,789)
Total recognised expense for the year	-	-	-	-	-	-	-	(355)	(64,872)	(65,227)	83	(65,144)
Issue of convertible bonds	21	-	-	4,826	-	-	-	-	-	4,826	-	4,826
Issue of shares upon conversion of convertible bonds	22(c)(ii)	10,000	10,000	(1,494)	-	-	-	-	-	18,506	-	18,506
Issue of shares on exercise of share options	22(c)(i)	80	122	-	-	(50)	-	-	-	152	-	152
Release upon lapse of share options		-	-	-	-	(4,858)	-	-	4,858	-	-	-
Issue of shares and warrants in placement	22(c)(iii)	10,000	4,200	500	-	-	-	-	-	14,700	-	14,700
Issue of shares and warrants in open offer	22(c)(iv)	36,751	17,139	1,691	-	3,442	-	-	-	59,023	-	59,023
Transfer of contributed surplus to accumulated losses		-	-	-	-	-	(165,144)	-	165,144	-	-	-
Recognition of equity-settled share-based payment expenses	24(i)	-	-	-	-	963	-	-	-	963	-	963
Deferred tax arising from equity component of convertible bonds	10(b)	-	-	-	(705)	-	-	-	-	(705)	-	(705)
Release upon disposal of subsidiaries	25	-	-	-	-	-	-	5	-	5	-	5
Deemed disposal of a subsidiary		-	-	-	-	-	-	-	-	-	1,956	1,956
At 31 December 2007	147,004	50,008	2,191	2,627	7,355	7,933	-	(982)	(65,328)	150,808	2,043	152,851

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*
for the year ended 31 December 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium	Warrants reserve	Convertible bonds - equity component	Land and buildings revaluation reserve	Share option reserve	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
	<i>Notes</i>	<i>Note 23(i)</i>	<i>Note 23(ii)</i>	<i>Note 23(iii)</i>	<i>Note 23(iv)</i>	<i>Note 23(v)</i>	<i>Note 23(vii)</i>				
At 1 January 2008	147,004	50,008	2,191	2,627	7,355	7,933	(982)	(65,328)	150,808	2,043	152,851
Income recognised directly in equity –											
Exchange differences	-	-	-	-	-	-	1,370	-	1,370	-	1,370
Loss for the year	-	-	-	-	-	-	-	(107,117)	(107,117)	(92)	(107,209)
Total recognised income and expenses for the year	-	-	-	-	-	-	1,370	(107,117)	(105,747)	(92)	(105,839)
Redemption of convertible bond 21	-	-	-	(2,268)	-	-	-	2,268	-	-	-
Renewal of convertible bond 21	-	-	-	(359)	-	-	-	359	-	-	-
Release upon lapse and surrender of share options	-	-	-	-	-	(4,446)	-	4,446	-	-	-
At 31 December 2008	147,004	50,008	2,191	-	7,355	3,487	388	(165,372)	45,061	1,951	47,012

CONSOLIDATED CASH FLOW STATEMENT*for the year ended 31 December 2008*

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
		<hr/>	<hr/>
Operating activities			
Loss before taxation:			
From continuing operations		(107,766)	(50,372)
From discontinued operation		–	(13,876)
Adjustments for:			
(Write-back of allowance)/additional allowance for doubtful debts		(391)	9,175
Provision for obsolete trading merchandise goods		243	165
Write-back of trade payable		(8,232)	–
Amortisation of intangible assets		394	395
Depreciation of property, plant and equipment		1,898	2,095
Loss on disposal of property, plant and equipment		6	599
Gain on disposal of subsidiaries	25	–	(9)
Gain on deemed disposal of a subsidiary		–	(3,007)
Net exchange gains		(232)	(1,676)
Fair value losses on investment properties, net		24,986	182
Fair value gain on derivative component of convertible bond	21	(2,623)	–
Equity-settled share-based payment expenses		–	963
Interest income		(38)	(172)
Finance costs		4,742	8,481
		<hr/>	<hr/>
Operating cash flows before working capital changes		(87,013)	(47,057)
(Increase)/decrease in trading merchandise goods		(275)	1,614
(Increase)/decrease in trade receivables, other receivables and prepayments		(4,579)	2,109
Increase/(decrease) in trade payables, other payables and accruals		21,264	(873)
		<hr/>	<hr/>
Cash used in operations		(70,603)	(44,207)
Interest paid		(1,569)	(6,536)
Hong Kong profits tax paid		–	(37)
Overseas tax refunded/(paid)		151	(618)
		<hr/>	<hr/>
Net cash used in operating activities		(72,021)	(51,398)
		<hr/>	<hr/>

CONSOLIDATED CASH FLOW STATEMENT *(continued)*
for the year ended 31 December 2008

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investing activities		
Interest received	38	172
Proceeds from disposal of property, plant and equipment	–	16
Payment of consideration for acquisition of a subsidiary	–	(15,878)
Purchase of property, plant and equipment	(1,222)	(1,084)
Net cash used in investing activities	<u>(1,184)</u>	<u>(16,774)</u>
Financing activities		
New bank borrowings	85,000	12,530
New inception of other loans	21,000	–
Issue of shares on exercise of share options	–	152
Repayment of bank borrowings	(30,888)	(49,459)
Repayment of other loans	(1,000)	–
Repayment of convertible bond	(5,805)	–
Proceeds from issue of shares and warrants in placement	–	14,700
Proceeds from issue of shares and warrants in open offer	–	59,023
Net proceeds from issuance of convertible bonds	–	32,600
Net cash generated from financing activities	<u>68,307</u>	<u>69,546</u>
Net (decrease)/increase in cash and cash equivalents	(4,898)	1,374
Effect of foreign exchange rate changes	30	77
Cash and cash equivalents at the beginning of the year	<u>13,868</u>	<u>12,417</u>
Cash and cash equivalents at the end of the year	<u><u>9,000</u></u>	<u><u>13,868</u></u>
Represented by:		
Bank balances and cash	<u><u>9,000</u></u>	<u><u>13,868</u></u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

1. ORGANISATION AND OPERATIONS

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and has its principal place of business at 3/F, Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of property investment, entertainment media, media shopping, telecommunication and leisure and entertainment events, details of which are set out in Note 16.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies.

The adoption of HK(IFRIC) – Int 11 “HKFRS 2 – Group and treasury share transactions”, HK(IFRIC) – Int 12 “Service concession arrangements”, HK(IFRIC) – Int 14 “HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction” and HKAS 39 & HKFRS 7 Amendments “Reclassification of financial assets” has no impact on these financial statements.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

	Effective date
HKAS 1 (Revised)	(i)
HKAS 23 (Revised)	(i)
HKAS 32 & HKAS 1 (Amendments)	(i)
HKFRS 1 & HKAS 27 (Amendments)	(i)
HKFRS 8	(i)
HK(IFRIC) – Int 15	(i)
HKFRS 2 (Amendment)	(i)
HKAS 7 (Amendment)	(i)
HKAS 27 (Revised)	(ii)
HKAS 39 (Amendment)	(ii)
HKFRS 1 (Revised)	(ii)
HKFRS 3 (Revised)	(ii)
HK(IFRIC) – Int 17	(ii)
HK(IFRIC) – Int 13	(iii)
HK(IFRIC) – Int 16	(iv)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	(v)
HK(IFRIC) – Int 18	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	(i) (ii)

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)***Effective date**

- (i) Annual periods beginning on or after 1 January 2009
- (ii) Annual periods beginning on or after 1 July 2009
- (iii) Annual periods beginning on or after 1 July 2008
- (iv) Annual periods beginning on or after 1 October 2008
- (v) Annual periods ending on or after 30 June 2009
- (vi) Transfer of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of what the impact of these new or revised Standards or Interpretations is expected to be in the period of their initial application.

3. SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance and basis of preparation of financial statements**

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These financial statements have been prepared under the historical cost convention, as modified for investment properties and derivative component of convertible bonds which are carried at fair value.

These financial statements have been prepared on a going concern basis notwithstanding the fact that the Group recorded net current liabilities of HK\$51.80 million as at 31 December 2008 and incurred loss of HK\$107.21 million for the year then ended.

As further disclosed in Note 35, the Company announced a proposed open offer to raise not less than HK\$55.13 million but not more than HK\$64.95 million, before expenses.

As disclosed in Note 29(b), the Group's unsecured revolving loan facility of HK\$20,000,000 from Quants Inc. ("Quants"), a substantial shareholder of the Company, has been renewed on 31 December 2008 for a period of 18 months from 1 January 2009 to 30 June 2010.

Moreover, the Group also planned to use its investment properties to refinance the existing banking facilities by long-term mortgage loans.

Based on the above, the directors of the Company are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

However, if the going concern basis were not to be appropriate, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Subsidiaries

Subsidiaries are entities in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's balance sheet at cost less any accumulated impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Furniture, fixtures and equipment	20% to 33%
Motor vehicles	20%

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Property, plant and equipment** *(continued)*

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value of investment properties are included in the profit or loss for the period in which they arise.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and any accumulated impairment losses and are amortised on a straight-line basis over their estimated useful lives, as follows:

Cable use rights	14 years
Licensing rights	5 years

The estimated useful lives and amortisation rate are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Trading merchandise goods

Trading merchandise goods are stated at the lower of cost and net realisable value. Cost includes cost of purchases computed using the weighted average method. Net realisable value is determined by reference to the anticipated sales proceeds of items sold in the ordinary course of business less estimated selling expenses after the balance sheet date or to management estimates based on prevailing market conditions.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Financial assets**

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. During the year, the Group's financial assets are classified as loans and receivables, which are subsequently accounted for as follows.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

ii) Impairment

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Financial assets** *(continued)**iii) Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity issued by the Group

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

ii) Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option and redemption option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option and redemption option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

iii) Other financial liabilities

The Group's financial liabilities, including bank loans are classified as other financial liability and are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method as mentioned above, with interest expense recognised on an effective yield basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Financial liabilities and equity issued by the Group** *(continued)**iv) Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the relevant lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Taxation** *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Translation of foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are expressed in Hong Kong Dollars which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into Hong Kong dollars, being the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operation (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group’s exchange fluctuation reserve. Such translation differences are recognised in the consolidated income statement in the period in which the foreign operation or the underlying assets and liabilities are disposed of.

Employees’ benefits*Short term benefits*

Salaries, annual bonuses and paid annual leaves are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

Retirement benefit schemes

The Group’s contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, if any.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Employees' benefits** *(continued)**Share-based payments*

For equity-settled share-based payments to certain directors, employees and other parties, they are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in share-based payment reserve within equity, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in share option reserve until the share option expires when it is released directly to accumulated losses.

Fair value is measured using the Black-Scholes-Merton Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

Discontinued operation

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of discounts.

- (i) Rental income is recognised in accordance with the Group's accounting policy for leases.
- (ii) Revenue from entertainment media services, telecommunication services, leisure and entertainment events and management services is recognised when the services are rendered and the amount can be measured reliably.
- (iii) Sales of goods are recognised when goods are delivered, title has passed and collectability of the related receivable is reasonably assured.
- (iv) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Going concern

In determining whether the financial statements are prepared on a going concern basis, the Group has to exercise judgment on the sufficiency of working capital of the Group based upon (i) a proposed open offer to raise not less than HK\$55.13 million but not more than HK\$64.95 million, before expenses; (ii) the Group's unutilised unsecured revolving loan facility of HK\$20 million; and (iii) a plan to use the Group's investment properties to refinance the existing banking facilities by long-term mortgage loans. Based on the above, the directors of the Company considered appropriate that the financial statements of the Group for the year ended 31 December 2008 are prepared on a going concern basis notwithstanding the fact that the Group recorded a net current liabilities position as at 31 December 2008 and incurred a loss for the year then ended.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset or a CGU can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or CGU, or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Deferred tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2008 was HK\$1,860,000 (2007: HK\$5,547,000). The amount of unrecognised tax losses at 31 December 2008 was HK\$135,382,000 (2007: HK\$64,696,000). Further details are set out in Note 10.

Estimated impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events of changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate had been changed.

Estimation uncertainty

The Group also makes estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in relation to share option expense.

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the consolidated income statement and share option reserve.

5. TURNOVER AND SEGMENT INFORMATION

An analysis of the turnover, which is also the Group's revenue, for the year, for both continuing and discontinued operations, is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Sale of goods	2,413	12,107
Rendering of services	30,573	27,494
Rental income	6,065	5,463
	<u>39,051</u>	<u>45,064</u>
Continuing operations	39,051	40,155
Discontinued operation (<i>Note 11</i>)	–	4,909
	<u>39,051</u>	<u>45,064</u>

Business segments

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

- (i) property investment;
- (ii) entertainment media;
- (iii) media shopping;
- (iv) telecommunication; and
- (v) leisure and entertainment events.

These segments are the basis on which the Group reports its primary segment information.

	For the year ended 31 December 2008					
	Property investment <i>HK\$'000</i>	Entertainment media <i>HK\$'000</i>	Media shopping <i>HK\$'000</i>	Telecom- munication <i>HK\$'000</i>	Leisure and entertainment events <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover						
External sales	6,065	16,715	2,413	1,971	11,887	39,051
Segment results	4,269	(657)	(1,882)	10	(45,315)	(43,575)
Other income and gains						9,171
Unallocated corporate expenses						(46,648)
Write-back of allowance/ (additional allowance) for doubtful debts	(2)	419	(26)			391
Fair value losses on investment properties	(24,986)					(24,986)
Fair value gain on derivative component of convertible bond						2,623
Finance costs						(4,742)
Loss before taxation						(107,766)
Taxation						557
Loss for the year						<u>(107,209)</u>

5. TURNOVER AND SEGMENT INFORMATION (continued)

Business segments (continued)

	As at 31 December 2008					Total HK\$'000
	Property investment	Entertainment media	Media shopping	Telecom- munication	Leisure and entertainment events	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<i>As at 31 December 2008</i>						
Assets						
Segment assets	141,480	8,235	1,528	811	1,245	153,299
Unallocated assets						<u>19,773</u>
Total assets						<u><u>173,072</u></u>
Liabilities						
Segment liabilities	15,785	2,776	1,162	–	22,413	42,136
Unallocated liabilities						<u>83,924</u>
Total liabilities						<u><u>126,060</u></u>
<i>For the year ended 31 December 2008</i>						
Other information						
Additions to property, plant and equipment	–	618	211	–	–	829
Unallocated						<u>393</u>
						<u><u>1,222</u></u>
Segment depreciation	11	351	373	2	41	778
Unallocated depreciation						<u>1,120</u>
						<u><u>1,898</u></u>
Amortisation of intangible assets	–	–	–	394	–	394
Fair value losses on investment properties	24,986	–	–	–	–	24,986
(Write-back of allowance)/ additional allowance for doubtful debts	2	(419)	26	–	–	(391)
Imputed interest on convertible bonds						2,879

5. TURNOVER AND SEGMENT INFORMATION (continued)

Business segments (continued)

	For the year ended 31 December 2007 (including continuing and discontinued operations)					Total HK\$'000
	Property investment HK\$'000	Entertainment media HK\$'000	Media shopping HK\$'000	Telecom- munication HK\$'000	Elimination HK\$'000	
Turnover						
External sales	5,463	25,519	12,107	1,975	–	45,064
Inter-segment sales	–	200	–	–	(200)	–
Total	<u>5,463</u>	<u>25,719</u>	<u>12,107</u>	<u>1,975</u>	<u>(200)</u>	<u>45,064</u>
Segment results	<u>3,475</u>	<u>(8,168)</u>	<u>(4,077)</u>	<u>(53)</u>		(8,823)
Other income and gains						4,352
Unallocated corporate expenses						(41,939)
Additional allowance for doubtful debts		(813)	(8,362)			(9,175)
Fair value losses on investment properties, net						(182)
Finance costs						<u>(8,481)</u>
Loss before taxation						(64,248)
Taxation						<u>(541)</u>
Loss for the year						<u><u>(64,789)</u></u>

5. TURNOVER AND SEGMENT INFORMATION (continued)

Business segments (continued)

	As at 31 December 2007				
	Property investment	Entertainment media	Media shopping	Telecom-munication	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>As at 31 December 2007</i>					
Assets					
Segment assets	165,842	15,763	1,961	1,154	184,720
Unallocated assets					<u>12,926</u>
Total assets					<u><u>197,646</u></u>
Liabilities					
Segment liabilities	16,292	4,650	8,413	–	29,355
Unallocated liabilities					<u>15,440</u>
Total liabilities					<u><u>44,795</u></u>
<i>For the year ended 31 December 2007</i>					
Other information					
Additions to property, plant and equipment	35	337	90	–	462
Unallocated					<u>622</u>
					<u><u>1,084</u></u>
Segment depreciation	12	1,250	230	72	1,564
Unallocated depreciation					<u>531</u>
					<u><u>2,095</u></u>
Amortisation of intangible assets	–	–	–	395	395
Fair value losses on investment properties, net	(182)	–	–	–	(182)
Additional allowance for doubtful debts	–	813	8,362	–	9,175
Equity-settled share-based payment expenses					963
Imputed interest on convertible bonds					1,945

5. TURNOVER AND SEGMENT INFORMATION (continued)

Geographical segments

During the year, the Group's operations and assets are located in Hong Kong, Macau, other regions in the People's Republic of China ("Mainland China") and the United States of America ("USA") on which the Group reports its secondary segment information.

During the prior year, Japan operation became a discontinued operation, details of which are set out in Note 11.

Segment information of the Group by geographical locations by customers is presented as below:

For the year ended 31 December 2008						
	Hong Kong	Macau	Mainland China	USA	Elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>21,446</u>	<u>11,887</u>	<u>3,747</u>	<u>1,971</u>	<u>–</u>	<u>39,051</u>
Capital expenditure	<u>686</u>	<u>325</u>	<u>211</u>	<u>–</u>	<u>–</u>	<u>1,222</u>
As at 31 December 2008						
	Hong Kong	Macau	Mainland China	USA	Elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>143,882</u>	<u>1,245</u>	<u>26,468</u>	<u>1,477</u>	<u>–</u>	<u>173,072</u>
For the year ended 31 December 2007						
	Hong Kong	Mainland China	USA	Japan	Elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>25,001</u>	<u>13,210</u>	<u>1,975</u>	<u>5,078</u>	<u>(200)</u>	<u>45,064</u>
Capital expenditure	<u>865</u>	<u>90</u>	<u>–</u>	<u>129</u>	<u>–</u>	<u>1,084</u>
As at 31 December 2007						
	Hong Kong	Mainland China	USA	Japan	Elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>167,778</u>	<u>27,069</u>	<u>1,154</u>	<u>1,645</u>	<u>–</u>	<u>197,646</u>

6. OTHER INCOME AND GAINS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest income	38	172
Management service income	790	1,000
Write-back of trade payables [#]	8,232	–
Gain on deemed disposal of a subsidiary	–	3,007
Gain on disposal of subsidiaries (<i>Note 25</i>)	–	9
Fair value gain on derivative component of convertible bond (<i>Note 21</i>)	2,623	–
Others	111	164
	<u>11,794</u>	<u>4,352</u>
Attributable to continuing operations reported in the consolidated income statement	11,794	4,268
Attributable to discontinued operation (<i>Note 11</i>)	–	84
	<u>11,794</u>	<u>4,352</u>

[#] During the year, the Group entered into an arrangement with the customers and a supplier regarding sales and purchases in the prior year such that the goods sold by the Group to the customers were returned to the supplier and the sales and purchases were cancelled. As at 31 December 2007, there was a full allowance for doubtful debts on the related gross trade receivables of HK\$8,624,000. Pursuant to the above arrangement, the Group wrote off the gross trade receivables against the allowance for doubtful debts and the related trade payables of HK\$8,232,000 was written back during the year accordingly.

7. LOSS FOR THE YEAR

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
This is arrived at after charging/(crediting) [#] :		
Costs of sales and services (<i>note</i>)	53,918	22,609
Loss on disposal of property, plant and equipment	6	599
Net exchange gains	232	1,676
Auditors' remuneration:		
Current year	800	920
Overprovision in respect of prior years	–	(24)
Amortisation of intangible assets (<i>note</i>)	394	395
Depreciation of property, plant and equipment (<i>Note 13</i>)	1,898	2,095
Operating lease rentals in respect of rented premises	4,780	4,826
Provision for obsolete trading merchandise goods (<i>note</i>)	243	165
Staff costs:		
– Directors' remuneration (<i>Note 9</i>)	4,497	15,057
– Other staff costs:		
Salaries, wages and other benefits	27,139	24,364
Retirement benefit scheme contributions	589	324
Equity-settled share-based payment expenses (<i>Note 24</i>)	–	213
	<u>32,225</u>	<u>39,958</u>

[#] The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operation during the prior year.

7. LOSS FOR THE YEAR (continued)

Note: Cost of sales and services include HK\$394,000 (2007: HK\$395,000) and HK\$243,000 (2007: HK\$165,000) relating to amortisation expenses of intangible assets and provision for obsolete trading merchandise goods respectively, which amounts are also included in the respective total amounts disclosed separately above. The cost of services also included an annual fee of US\$2,150,000 (equivalent to HK\$16,693,000) for the right to host, produce and commercially exploit the Miss International Pageant for a term of 1 year ended 31 December 2008, and at the discretion of the Group to be renewed for up to four additional consecutive years until (and including) 31 December 2012.

The consolidated loss attributable to equity holders of the Company includes a loss of HK\$111,173,000 (2007: a loss of HK\$57,784,000) (Note 23) which has been dealt with in the financial statements of the Company.

8. FINANCE COSTS

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Imputed interest on convertible bonds	21	2,879	1,945
Finance charges on obligations under finance leases		–	3,729
Interests on:			
Borrowings wholly repayable within five years		1,064	2,260
Borrowings not wholly repayable within five years		799	547
		<u>4,742</u>	<u>8,481</u>
Attributable to continuing operations reported in the consolidated income statement		4,742	4,730
Attributable to discontinued operation	11	–	3,751
		<u>4,742</u>	<u>8,481</u>

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The directors' remuneration is analysed as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Fees:		
Independent non-executive directors	540	312
Other emoluments paid to executive directors:		
Salaries and other benefits, net of waived benefits of HK\$5,020,000 (2007: HK\$Nil)	3,833	13,454
Bonuses	–	450
Equity-settled share-based payment expenses (Note 24)	–	750
Retirement benefit scheme contributions	124	91
	<u>3,957</u>	<u>14,745</u>
	<u>4,497</u>	<u>15,057</u>

No directors waived any remuneration in respect of the year ended 31 December 2007.

During the year, a director has waived his entitlement to benefits to the extent of HK\$5,020,000 (2007: HK\$Nil) in light of the current economic environment.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

Directors' remuneration (continued)

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Michele Matsuda		
– Salaries and other benefits	948	9,866
– Bonuses	–	450
– Retirement benefit scheme contributions	104	60
	<u>1,052</u>	<u>10,376</u>
Leung To Kwong, Valiant		
– Salaries and other benefits	1,443	1,427
– Equity-settled share-based payment expenses (Note 24)	–	250
– Retirement benefit scheme contributions	12	12
	<u>1,455</u>	<u>1,689</u>
Shoichi Takaya (Appointed on 28 May 2008)		
– Salaries and other benefits	1,442	–
– Retirement benefit scheme contributions	8	–
	<u>1,450</u>	<u>–</u>
Cheung Chi Fai, Frank (Resigned on 28 November 2007)		
– Salaries and other benefits	–	1,366
– Equity-settled share-based payment expenses (Note 24)	–	250
– Retirement benefit scheme contributions	–	11
	<u>–</u>	<u>1,627</u>
Yiu Ying Fai (Resigned on 25 July 2007)		
– Salaries and other benefits	–	795
– Equity-settled share-based payment expenses (Note 24)	–	250
– Retirement benefit scheme contributions	–	8
	<u>–</u>	<u>1,053</u>
Zhou Ji, Jason		
– Fee	180	104
	<u>180</u>	<u>104</u>
Chen Tien-yiu, Theodore		
– Fee	180	104
	<u>180</u>	<u>104</u>
Wong Tak Shing		
– Fee	180	104
	<u>180</u>	<u>104</u>

Mr. Shinji Yamamoto, a non-executive director of the Company, was appointed on 16 February 2007. According to his service agreement with the Company, he did not receive any director fee for the financial years ended 31 December 2007 and 2008.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

Five highest paid employees

The five highest paid individuals of the Group included three (2007: four) executive directors of the Company, details of whose emoluments are set out above. The remuneration of the remaining two (2007: one) highest paid employees, other than directors of the Company, is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries and other benefits	2,652	798
Retirement benefit scheme contributions	76	40
	<u>2,728</u>	<u>838</u>

The number of non-director, highest paid employees whose remuneration fell within the following bands, is as follows:

	2008	2007
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	2	–
	<u>2</u>	<u>–</u>

10. TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(a) Taxation in the consolidated income statement represents:		
Current taxation – overseas		
Current year	182	257
(Overprovision)/underprovision in respect of prior years	(196)	196
Deferred taxation		
Attributable to the origination and reversal of temporary differences (note (b))	(543)	358
Resulting from a change in tax rate in Hong Kong (note (b))	–	(270)
	<u>(557)</u>	<u>541</u>

Taxation for overseas subsidiaries has been calculated on the estimated assessable profits for the years ended 31 December 2007 and 2008 at the appropriate current rates of taxation ruling in the countries in which the Group's subsidiaries operate. No provision for Hong Kong profits tax has been made for the year as the Group has no assessable profit arising in Hong Kong (2007: HK\$Nil).

10. TAXATION (continued)

Taxation for the years can be reconciled to accounting loss as follows:

	2008 <u>HK\$'000</u>	2007 <u>HK\$'000</u>
Loss before taxation (including loss from discontinued operation)	(107,766)	(64,248)
Taxation calculated at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	(17,781)	(11,243)
Tax effect of expenses not deductible for tax purposes	2,739	10,507
Tax effect of income not taxable for tax purposes	(3,418)	(3,642)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	196	(3,559)
(Overprovision)/underprovision in respect of prior years	(196)	196
Tax effect on utilisation of previously unrecognised tax losses and other deductible temporary differences	(116)	(417)
Tax effect of unused tax losses and other deductible temporary differences not recognised	18,445	8,646
Tax effect of recognition of deductible temporary differences previously not recognised and write-off of deferred tax assets	–	293
Effect on opening deferred tax resulting from decrease in Hong Kong profits tax rate	–	(270)
Others	(426)	30
Taxation (credit)/charge for the year	<u>(557)</u>	<u>541</u>
Represented by:		
Tax (credit)/charge attributable to continuing operations reported in the consolidated income statement	(557)	330
Tax charge attributable to discontinued operation (Note 11)	–	211
Taxation (credit)/charge for the year	<u>(557)</u>	<u>541</u>

10. TAXATION (continued)

(b) Deferred taxation

The movements in the components of deferred tax (liabilities)/assets recognised by the Group and the Company during the current and prior years are as follows:

Group

	Accelerated tax depreciation <i>HK\$'000</i>	Fair value – changes on investment properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Convertible bonds <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007	(3,000)	(8,548)	6,552	–	(4,996)
Effect of change in tax rate (note (a))	157	472	(359)	–	270
(Charge)/credit to consolidated income statement for the year (note (a))	(40)	8	(646)	320	(358)
Charge to equity for the year (Note 21)	–	–	–	(705)	(705)
Exchange fluctuation	–	(67)	–	–	(67)
At 31 December 2007	(2,883)	(8,135)	5,547	(385)	(5,856)
(Charge)/credit to consolidated income statement for the year (note (a))	(306)	4,151	(3,687)	385	543
Exchange fluctuation	–	(56)	–	–	(56)
At 31 December 2008	<u>(3,189)</u>	<u>(4,040)</u>	<u>1,860</u>	<u>–</u>	<u>(5,369)</u>

Company

	Convertible bond <i>HK\$'000</i>
At 1 January 2007	–
Credit for the year	320
Charge to equity for the year (Note 21)	(705)
At 31 December 2007	(385)
Credit for the year	385
At 31 December 2008	<u>–</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax relates to the same fiscal authority. The following is the analysis of the deferred tax balances (after offset) for balance sheet purpose:

	Group		Company	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Deferred tax liabilities	(7,229)	(11,403)	–	(385)
Deferred tax assets	1,860	5,547	–	–
	<u>(5,369)</u>	<u>(5,856)</u>	<u>–</u>	<u>(385)</u>

10. TAXATION (continued)

(b) Deferred taxation (continued)

At the balance sheet date, the Group has unused tax losses of HK\$146,657,000 (2007: HK\$98,140,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$11,275,000 (2007: HK\$33,444,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$135,382,000 (2007: HK\$64,696,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$9,924,000 (2007: HK\$9,924,000) that will expire in twenty years since respective dates of incurrence and tax losses of HK\$4,050,000 (2007: HK\$754,000) that will expire in five years since the respective dates of incurrence. Other tax losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of HK\$1,665,000 (2007: HK\$1,578,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

There was no other material unprovided deferred tax liability as at 31 December 2007 and 2008.

11. DISCONTINUED OPERATION

As disclosed in the Company's announcement dated 12 March 2007, the Group entered into (i) a lease termination deed dated 9 March 2007 with Quants Inc. ("Quants"), a shareholder of the Company, to terminate the lease contracts; and (ii) a management termination deed dated 9 March 2007 with Freparnetwork Inc. ("Frepar"), a shareholder of the Company during the year, 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, were derecognised pursuant to the above termination deeds.

The Japan business was a separate geographical segment of the Group which mainly comprised the finance lease business. The Group has decided to cease Japan business after the above termination deeds, which also constituted a discontinued operation during the prior year. Loss for the year from discontinued operation was presented as follows:

	<i>Notes</i>	2007 <i>HK\$'000</i>
Turnover	5	4,909
Other income	6	75
Selling and distribution expense		(1,180)
Administrative expense		(13,938)
Operating loss		(10,134)
Finance costs	8	(3,751)
Loss before taxation		(13,885)
Gain on disposal of subsidiaries	6	9
Loss before taxation from discontinued operation		(13,876)
Taxation	10	(211)
Loss for the year from discontinued operation		<u>(14,087)</u>
Cash flows used in discontinued operation		
Net cash flows used in operating activities		(8,668)
Net cash flows used in financing activities		(45)
Net cash outflows		<u>(8,713)</u>
Basic loss per share from discontinued operation		<u>HK\$(0.013)</u>

12. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares issue during the year, as adjusted to reflect the open offer and share subdivision during the prior year.

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

	Year ended 31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
From continuing and discontinued operations		
Loss for the year for the purpose of basic loss per share – loss for the year attributable to equity holders of the Company	<u>(107,117)</u>	<u>(64,872)</u>
	Number of shares	
	2008	2007
Weighted average number of ordinary shares for the purpose of basic loss per share:		
Number of issued ordinary shares at 1 January	1,470,040,740	90,173,056
Effect of open offer and share subdivision	–	866,849,649
Effect of shares issued through placement, exercise of share options and conversion of convertible bonds during the year	<u>–</u>	<u>126,703,340</u>
Weighted average number of ordinary shares as at 31 December	<u>1,470,040,740</u>	<u>1,083,726,045</u>
	Year ended 31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
From continuing operations		
Loss for the year for the purpose of basic loss per share – loss for the year attributable to equity holders of the Company	<u>(107,117)</u>	<u>(64,872)</u>
Less: Loss for the year from discontinued operation	–	14,087
Loss for year for the purpose of basic loss per share from continuing operations	<u>(107,117)</u>	<u>(50,785)</u>

Diluted loss per share for the years ended 31 December 2007 and 2008 has not been disclosed, as convertible bonds, share options and warrants outstanding during the years had an anti-dilutive effect on the basic loss per share for these years.

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	Group			Company
		Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Furniture, fixtures and equipment HK\$'000
COST					
As at 1 January 2007		19,013	187	19,200	40
Additions		1,084	–	1,084	–
Disposal, liquidation and deregistration of subsidiaries	25	(64)	–	(64)	–
Disposals		(678)	–	(678)	–
Exchange fluctuation		97	15	112	–
As at 31 December 2007		19,452	202	19,654	40
Additions		1,222	–	1,222	–
Disposals		(456)	–	(456)	–
Exchange fluctuation		25	10	35	–
As at 31 December 2008		<u>20,243</u>	<u>212</u>	<u>20,455</u>	<u>40</u>
ACCUMULATED DEPRECIATION					
As at 1 January 2007		13,344	22	13,366	23
Depreciation charge for the year	7	2,057	38	2,095	8
Disposal, liquidation and deregistration of subsidiaries	25	(28)	–	(28)	–
Disposals		(63)	–	(63)	–
Exchange fluctuation		30	2	32	–
As at 31 December 2007		15,340	62	15,402	31
Depreciation charge for the year	7	1,856	42	1,898	6
Disposals		(450)	–	(450)	–
Exchange fluctuation		(8)	4	(4)	–
As at 31 December 2008		<u>16,738</u>	<u>108</u>	<u>16,846</u>	<u>37</u>
CARRYING AMOUNT					
As at 31 December 2008		<u>3,505</u>	<u>104</u>	<u>3,609</u>	<u>3</u>
As at 31 December 2007		<u>4,112</u>	<u>140</u>	<u>4,252</u>	<u>9</u>

14. INVESTMENT PROPERTIES

Group

	<i>HK\$'000</i>
FAIR VALUE	
At 1 January 2007	163,001
Exchange fluctuation	1,621
Fair value losses, net	(182)
At 31 December 2007	164,440
Exchange fluctuation	1,366
Fair value losses	(24,986)
At 31 December 2008	<u>140,820</u>

Investment properties were valued at 31 December 2008 by DTZ Debenham Tie Leung Limited, an independent firm of professionally qualified valuer, who has among their staff Fellow 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 net fair value losses of HK\$24,986,000 (2007: net fair value losses of HK\$182,000) which has been recognised in the consolidated income statement. The deferred tax credit of HK\$4,151,000 (2007: HK\$8,000 (Note 10)) arising from the current year valuation, have been charged to the consolidated income statement for the year.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to HK\$6,065,000 (2007: HK\$5,463,000). Direct operating expenses arising on the investment properties in the year amounted to HK\$1,483,000 (2007: HK\$1,440,000).

Most of the Group's investment properties are rented out under operating leases.

The Group's certain investment properties have been pledged to secure banking facilities granted to the Group (Note 29 (a)(ii)).

The carrying amount of investment properties shown above is analysed as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Mainland China		
– medium term leases	24,820	24,240
Hong Kong		
– medium term leases	116,000	140,200
	<u>140,820</u>	<u>164,440</u>

15. INTANGIBLE ASSETS

Group	<i>Notes</i>	Cable use rights HK\$'000	Licensing rights HK\$'000	Total HK\$'000
COST				
As at 1 January 2007		3,636	22,363	25,999
Liquidation and deregistration of subsidiaries	25	–	(22,363)	(22,363)
Exchange fluctuation		13	–	13
As at 31 December 2007		3,649	–	3,649
Exchange fluctuation		(24)	–	(24)
As at 31 December 2008		<u>3,625</u>	<u>–</u>	<u>3,625</u>
ACCUMULATED AMORTISATION				
As at 1 January 2007		2,455	8,776	11,231
Charge for the year	7	395	–	395
Liquidation and deregistration of subsidiaries	25	–	(8,776)	(8,776)
Exchange fluctuation		9	–	9
As at 31 December 2007		2,859	–	2,859
Charge for the year	7	394	–	394
Exchange fluctuation		(20)	–	(20)
As at 31 December 2008		<u>3,233</u>	<u>–</u>	<u>3,233</u>
CARRYING AMOUNT				
As at 31 December 2008		<u>392</u>	<u>–</u>	<u>392</u>
As at 31 December 2007		<u>790</u>	<u>–</u>	<u>790</u>

All of the Group's cable use rights and licensing rights were acquired from third parties.

The intangible assets included above have finite useful lives, over which the assets are amortised, which are amortised over their estimated useful lives.

The amortisation charge for the year is included in "cost of sales and services" in the consolidated income statement.

16. INTERESTS IN SUBSIDIARIES

Company	2008 HK\$'000	2007 HK\$'000
Unlisted shares/investments, at cost	11,737	11,737
Loans to subsidiaries	47,000	47,000
Amounts due from subsidiaries	795,007	740,057
	853,744	798,794
Less: allowance for amounts due from subsidiaries	(742,638)	(642,564)
	<u>111,106</u>	<u>156,230</u>

The amounts due from subsidiaries and loans to subsidiaries are unsecured, and in substance form part of the Company's interests in the subsidiaries in the form of quasi-equity loans.

The amounts due from subsidiaries are unsecured and interest-free. The loans to subsidiaries are unsecured and interest-bearing at prime rate plus 1.5% (2007: prime rate plus 1.5%) per annum.

An allowance for amounts due from subsidiaries of HK\$742,638,000 (2007: HK\$642,564,000) was recognised as at 31 December 2008 because the related recoverable amounts of the balances due from subsidiaries with reference to the net assets value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related amounts due therefrom are reduced to their recoverable amounts.

Particulars of the Company's subsidiaries as at 31 December 2008 are as follows:

Company	Country or place of incorporation/ operation	Issued share capital/ registered capital	Effective equity interest attributable to the Group		Nature of business
			Direct	Indirect	
Cellcast (Asia) Limited	British Virgin Islands/ Hong Kong	US\$45,525	–	82.38%	Provision of content and information services
Cellcast Technology (Shenzhen) Limited (i)	Mainland China	HK\$1,000,000	–	100%	De-registered
Circle Telecom USA, LLC	USA	US\$100	–	100%	Provision of telecommunication services
Cornwick Investments Limited	Hong Kong	HK\$2	–	100%	Holding investment properties in Hong Kong
Drive HK Limited	Hong Kong	HK\$1	–	100%	Dormant
Drive Media (BVI) Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Drive USA Inc.	USA	US\$10	–	100%	Investment holding and provision of management services
FilMacau Company Limited (ii)	Macau	MOP\$25,000	–	100%	Dormant

16. INTERESTS IN SUBSIDIARIES (continued)

Company	Country or place of incorporation/operation	Issued share capital/registered capital	Effective equity interest attributable to the Group		Nature of business
			Direct	Indirect	
Foreign Equity Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Katharsis Trading Limited	Mainland China	RMB1,010,000	–	100%	Provision of T.V. shopping services
Media Elite Limited	British Virgin Islands	US\$16,000	–	100%	Dormant
Media Elite HK Limited	Hong Kong	HK\$100	–	100%	Dormant
Million Year Consultants Limited	British Virgin Islands/Mainland China	US\$1	–	100%	Holding investment properties in Mainland China
New Multimedia Limited	British Virgin Islands	US\$1	–	100%	Dormant
S.I. Corporate Services Limited	Hong Kong	HK\$100	–	100%	Provision of corporate services
S.I. Finance Group Limited	British Virgin Islands	US\$100	100%	–	Investment holding
S.I. Hotel Investments Limited	British Virgin Islands/ Hong Kong	US\$2	100%	–	Investment holding
S.I. Hotel (Project Management) Limited	Hong Kong	HK\$1	–	100%	Project management
S.I. Investments Limited	Hong Kong	HK\$10,000	–	100%	Provision of advisory services
S.I. Investments and Finance Limited	Hong Kong	HK\$100	–	100%	Dormant
S.I. Macau Entertainment Company Limited	British Virgin Islands/Macau	US\$1	100%	–	Leisure and entertainment events
S.I. Promotions Limited (iii)	Macau	MOP\$25,000	–	100%	Leisure and entertainment events
S.I. Entertainment Investment (801) Limited (formerly known as “S.I. Hotel Properties (Macau) Limited”) (iii)	British Virgin Islands	US\$1	100%	–	Dormant
S.I. Media Shopping Limited	Hong Kong	HK\$1	–	100%	Dormant

16. INTERESTS IN SUBSIDIARIES (continued)

Company	Country or place of incorporation/operation	Issued share capital/registered capital	Effective equity interest attributable to the Group		Nature of business
			Direct	Indirect	
S.I. TV Shopping (BVI) Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	Investment holding
S.I. Travel Group Limited (iii)	British Virgin Islands	US\$1	100%	–	Dormant
Sai Chak Company Limited	Hong Kong	HK\$100,000	–	100%	Holding investment properties in Hong Kong
Sky Telemedia (China) Limited	Hong Kong	HK\$100	–	100%	Investment holding
Sun Innovation Entertainment Media Group Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	Investment holding
Sun Innovation HK Properties Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Sun Innovation Management Services Limited	Hong Kong	HK\$2	100%	–	Provision of management services
Sun Innovation Media Group Limited	British Virgin Islands/ Hong Kong	US\$1,000	–	100%	Investment holding
Sun Innovation Properties Holdings Limited	British Virgin Islands/ Hong Kong	US\$2	100%	–	Investment holding
Sun Innovation Resources Limited	Hong Kong	HK\$2	–	100%	Provision of management services
Sun Innovation Telecommunication Group Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Wide Profit Enterprises Limited	British Virgin Islands/ Hong Kong	US\$100	–	100%	Investment holding
廣州市泓亮商務有限公司	Mainland China	RMB100,000	–	100%	Provision of customer services

Notes:

- (i) Cellcast Technology (Shenzhen) Limited was a wholly owned foreign enterprise established in Mainland China and was deregistered on 4 January 2009.
- (ii) FilMacau Company Limited was disposed effectively on 1 March 2009.
- (iii) During the year, these subsidiaries were newly incorporated.

16. INTERESTS IN SUBSIDIARIES *(continued)*

Save as stated separately, the above subsidiaries' places of operation are the same as their respective places of incorporation.

17. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade receivables, net of allowance	5,979	8,303	–	–
Other receivables and prepayments	13,203	5,956	5,645	891
	<u>19,182</u>	<u>14,259</u>	<u>5,645</u>	<u>891</u>

- (i) The directors consider that the carrying amounts of trade receivables, other receivables and prepayments approximate their fair values as at 31 December 2007 and 2008.

No interest is charged on trade receivables.

- (ii) The Group normally allows an average credit period of 60 to 90 days to trade customers. The ageing analysis of the Group's trade receivables, net of allowance for doubtful debts, based on the due date was as follows:

	2008 HK\$'000	2007 HK\$'000
Current	1,948	1,829
31 to 60 days	1,195	3,168
61 to 90 days	853	1,463
Over 90 days	1,983	1,843
	<u>5,979</u>	<u>8,303</u>

At 31 December 2008, the Group's trade receivables of HK\$512,000 (2007: HK\$9,480,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that full amount of the impaired receivables is expected to be irrecoverable. Consequently, a specific allowance for doubtful debts of HK\$512,000 (2007: HK\$9,480,000) was made. The Group does not held any collateral over these balances.

Except for the above, no further allowance has been made for estimated irrecoverable amounts from the sale of goods and provision of services.

- (iii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
At 1 January	9,480	–
(Write-back of allowance)/ additional allowance for doubtful debts	(391)	9,175
Write-off of irrecoverable trade receivables	(8,624)	–
Exchange fluctuation	47	305
At 31 December	<u>512</u>	<u>9,480</u>

- (iv) As at 31 December 2007 and 2008, the Group's trade receivables that are neither individually nor collectively considered to be impaired were not past due.

18. BANK BALANCES AND CASH

As at 31 December 2008, included in the bank balances and cash of the Group was an amount of HK\$82,000 (2007: HK\$650,000) which is denominated in Renminbi ("RMB"). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	20,695	9,033	–	–
Other payables and accruals	10,068	8,989	1,639	3,052
	<u>30,763</u>	<u>18,022</u>	<u>1,639</u>	<u>3,052</u>

Trade payables principally comprise amounts outstanding for trade purchases and outgoing costs.

The directors consider that the carrying amounts of trade payables, other payables and accruals approximate their fair values as at 31 December 2007 and 2008.

The ageing analysis of the Group's trade payables is as follows:

	2008	2007
	HK\$'000	HK\$'000
Current	359	722
31 to 60 days	19,047	208
61 to 90 days	493	56
Over 90 days	796	8,047
	<u>20,695</u>	<u>9,033</u>

20. BANK AND OTHER BORROWINGS

The borrowings are repayable as follows:

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans:				
On demand or within one year	28,468	938	27,960	–
After one year but within two years	1,215	974	700	–
In the second to fifth years inclusive	4,705	3,163	3,100	–
Over five years	29,060	4,262	23,090	–
	<u>63,448</u>	<u>9,337</u>	<u>54,850</u>	<u>–</u>
Other loans:				
On demand or within one year	20,295	–	20,295	–
	<u>83,743</u>	<u>9,337</u>	<u>75,145</u>	<u>–</u>
Less: Amounts due within one year shown under current liabilities	(48,763)	(938)	(48,255)	–
Amount due for settlement after one year	<u>34,980</u>	<u>8,399</u>	<u>26,890</u>	<u>–</u>

20. BANK AND OTHER BORROWINGS *(continued)*

The bank loans are secured by certain investment properties of the Group (Note 14), cross guarantees given by certain subsidiaries of the Group and personal guarantee of a director of the Company and an ex-director of a subsidiary, further details are disclosed in Note 29(a). The bank loans bear floating interest rates at effective rates ranging from 2.85% to 11.25% (2007: 4.6% to 11.25%) per annum and have maturity date falling within 2009 to 2023. Except for a Group's bank loan of HK\$134,000 (2007: HK\$172,000) which is denominated in United States dollars, all the remaining bank loans of the Group and the Company are denominated in Hong Kong dollars.

The directors consider that the carrying amounts of the Group's and the Company's bank loans approximate their fair values as at 31 December 2007 and 2008.

Other loans are unsecured, interest bearing at 25% per annum and repayable within three to nine months from the respective drawn dates of the loan agreements.

21. CONVERTIBLE BONDS

- (a) On 13 February 2007, the Company entered into a subscription agreement with Tackana Agents Limited ("Tackana") pursuant to which Tackana subscribed a 5% redeemable convertible bond of the Company in an aggregate principal amount of HK\$5.4 million. The maturity date of the convertible bond was 18 months from date of issue with a right to convert at a maximum of 3,000,000 shares of the Company at conversion price of HK\$1.8 per share. The related convertible bond was issued on 13 March 2007. After the open offer in November 2007 (Note 22(c)) of the Company, the adjusted conversion price per share and adjusted number of shares to be converted were HK\$1.708 and 3,161,290 respectively. The adjusted conversion price per share and the adjusted number of shares to be converted were further adjusted after the share subdivision in December 2007 to HK\$0.171 and 31,612,900 respectively.

On 18 September 2008, the Company fully redeemed the above convertible bond.

- (b) On 14 February 2007, the Company entered into a subscription agreement with Violet Profit Holdings Limited ("Violet Profit") pursuant to which Violet Profit subscribed a 5% redeemable convertible bond (the "Original Bond") of the Company in an aggregate principal amount of HK\$7.2 million. The maturity date of the convertible bond was 18 months from date of issue with a right to convert at a maximum of 4,000,000 shares of the Company at conversion price of HK\$1.8 per share. The Original Bond was issued on 13 March 2007. After the open offer in 2007 (Note 22(c)) of the Company, the adjusted conversion price per share and adjusted number of shares to be converted were HK\$1.708 and 4,215,054 respectively. The adjusted conversion price per share and the adjusted number of shares to be converted were further adjusted after the share subdivision in December 2007 to HK\$0.171 and 42,150,540 respectively.

On 26 September 2008, the Company and Violet Profit entered into a supplemental subscription agreement (the "Supplemental Agreement") pursuant to which the parties agreed that the Company would pay interest in respect of the total principal amount of Original Bond at the interest rate at 5% per annum calculated up to and including 12 September 2008. The amendments to the Original Bond amended by the Supplemental Agreement in substance constitutes an issue of a new convertible bond (the "New Bond") to Violet Profit. The maturity date of the New Bond is 18 months from the original maturity date with a right to convert the whole or part of the principal amount of the New Bond into conversion shares, in multiples of 2,000,000 conversion shares. The conversion price is HK\$0.105, subject to adjustment as stated in the terms and conditions in the original subscription agreement for subdivision of consolidation of shares issued and other events with dilution effect.

The exercise of conversion option embedded in the New Bond would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The embedded derivative of conversion option is therefore accounted for as a financial liability. The principal of HK\$7,200,000 from the issue of the New Bond have been split into liability and derivative components. On issue of the New Bond, the fair value of the derivative component is determined using an option pricing model and this amount is carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value on the issue date and any subsequent changes in fair value of the derivative component as at the balance sheet date are recognised in the consolidated income statement.

21. CONVERTIBLE BONDS (continued)

The movements of the liability component, equity component and derivative component of the convertible bonds during the years ended 31 December 2007 and 2008 are as follows:

	Liability component of convertible bonds	Equity component of convertible bonds	Derivative component of convertible bonds	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the issuance date	27,774	4,826	–	32,600
Conversion into ordinary shares (Note 22(c)(ii))	(18,506)	–	–	(18,506)
Issue of shares upon conversion of convertible bond (Note 22(c)(ii))	–	(1,494)	–	(1,494)
Deferred tax arising from equity component of convertible bonds (Note 10)	–	(705)	–	(705)
Effective interest expense recognised (Note 8)	1,945	–	–	1,945
At 31 December 2007	11,213	2,627	–	13,840
Renewal of convertible bond	–	(359)	–	(359)
Redemption of convertible bonds and related interest	(5,805)	(2,268)	–	(8,073)
Derivative component upon the issue of the New Bond	(3,003)	–	3,003	–
Fair value gain (Note 6)	–	–	(2,623)	(2,623)
Effective interest expense recognised (Note 8)	2,879	–	–	2,879
At 31 December 2008	<u>5,284</u>	<u>–</u>	<u>380</u>	<u>5,664</u>

Interests on the convertible bonds for the years ended 31 December 2007 and 2008 are calculated using the effective interest method by applying the effective interest rate of 17% and 50.41% per annum respectively.

The fair value of the derivative component of the convertible bond is determined taking into account the valuation performed by BMI Appraisals Limited using the Binomial Option Pricing Model with the major inputs as at 12 September 2008 and 31 December 2008 as follows:

	12 September 2008	31 December 2008
Share price	HK\$0.11	HK\$0.036
Exercise price	HK\$0.105	HK\$0.105
Volatility	99.55%	132.13%
Risk free rate	1.74%	1.64%

During the year, there was a significant decrease in the share price of the Company, and accordingly, the fair value of the derivative component of the convertible bond decreased, resulting in a fair value gain of approximately HK\$2,623,000 (2007: HK\$Nil).

22. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2008	2007	2008 HK\$'000	2007 HK\$'000
Authorised ordinary shares:				
As at 1 January 2008 of HK\$0.1 each and 1 January 2007 of HK\$1 each	7,300,000,000	730,000,000	730,000	730,000
Subdivision of shares (<i>note (a)</i>)	–	6,570,000,000	–	–
As at 31 December 2007 and 2008 of HK\$0.1 each	<u>7,300,000,000</u>	<u>7,300,000,000</u>	<u>730,000</u>	<u>730,000</u>
Issued and fully paid ordinary shares:				
As at 1 January 2008 of HK \$0.1 each and 1 January 2007 of HK\$1 each	1,470,040,740	90,173,056	147,004	90,173
Issue of ordinary shares (<i>note (c)</i>)	–	56,831,018	–	56,831
Subdivision of shares (<i>note (a)</i>)	–	1,323,036,666	–	–
As at 31 December 2007 and 2008 of HK\$0.1 each	<u>1,470,040,740</u>	<u>1,470,040,740</u>	<u>147,004</u>	<u>147,004</u>

As at 31 December 2008 and 2007, the authorised convertible preference share (“CPS”) capital was HK\$20,000,000 divided in 2,000,000,000 convertible preference shares at HK\$0.01 each. No CPS was allotted and issued as at the balance sheet dates.

Notes:

(a) Share subdivision

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 8 November 2007, a share subdivision was effected such that every ordinary share of HK\$1 each in the issued and unissued share capital of the Company was subdivided into ten subdivided shares of HK\$0.1 each by the creation of 1,323,036,666 subdivided shares based on the number of the issued ordinary shares at that time (“Share Subdivision”).

(b) Authorised share capital restructure

Immediately after the Share Subdivision, the restructure of the authorised share capital (“Authorised Share Capital Restructure”) as disclosed in the Company’s circular dated 23 October 2007 became effective. The authorised ordinary share capital of the Company was HK\$730,000,000 divided into 730,000,000 shares of HK\$1.00 each originally but after the Share Subdivision in December 2007, it was subdivided into 7,300,000,000 subdivided shares of HK\$0.10 each. The authorised CPS capital of the Company remains unchanged and amounts to HK\$20,000,000 divided into 2,000,000,000 CPSs of HK\$0.01 each.

- (c) (i) In 2007, share options were exercised by certain employees to subscribe for 80,000 shares of HK\$1.00 each in the Company at an average consideration of HK\$1.90 per share, totalling HK\$152,000.
- (ii) On 15 June 2007, the convertible bond in the principal amount of HK\$20 million was converted into 10,000,000 shares of HK\$1.00 each of the Company.
- (iii) On 6 August 2007, the Company issued, through a placing agent, 10,000,000 ordinary shares of HK\$1.00 each of the Company at the placing price, net of placing commission and other costs and expenses, is HK\$1.42 each and 5,000,000 unlisted warrants at HK\$0.10 each to independent investors under a placing agreement dated 23 July 2007. Details were set out in the Company’s announcement dated 23 July 2007.

22. SHARE CAPITAL (continued)

Notes: (continued)

(c) (continued)

- (iv) In November 2007, the Company issued 36,751,018 ordinary shares of HK\$1.00 each of the Company at a subscription price of HK\$1.56 per offer share and 16,905,460 unlisted warrants at HK\$0.10 each to the existing shareholders as a result of the open offer approved at the special general meeting of the Company held on 8 November 2007. The share options issued to Quants as underwriting commission of HK\$3,442,000 was charged to the share premium account as it was a transaction cost directly attributable to the open offer (Note 24(i)). The open offer of the Company comprised (i) the issue of offer shares to the qualifying shareholders on the basis of 1 offer share for every 3 shares held on the record date; and (ii) the issue of warrants to the qualifying shareholders on the basis of 23 warrants for every 50 offer shares validly accepted and duly paid. Details were set out in the Company's circular and prospectus dated 23 October 2007 and 9 November 2007 respectively.

23. RESERVES

	Share premium HK\$'000 (Note (i))	Warrants reserve HK\$'000 (Note (ii))	Convertible bonds – equity component HK\$'000 (Note (iii))	Share option reserve HK\$'000 (Note (v))	Contributed surplus HK\$'000 (Note (vi))	Accumulated losses HK\$'000	Total HK\$'000
Company							
At 1 January 2007	18,547	–	–	8,436	181,858	(187,179)	21,662
Issue of convertible bonds	–	–	4,826	–	–	–	4,826
Issue of shares upon conversion of convertible bonds (Note 22(c)(ii))	10,000	–	(1,494)	–	–	–	8,506
Issue of shares on exercise of share options (Note 22(c)(i))	122	–	–	(50)	–	–	72
Release upon lapse of share options	–	–	–	(4,858)	–	4,858	–
Issue of shares and warrants in placement (Note 22(c)(iii))	4,200	500	–	–	–	–	4,700
Issue of shares and warrants in open offer (Note 22(c)(iv))	17,139	1,691	–	3,442	–	–	22,272
Transfer of contributed surplus to accumulated losses [#]	–	–	–	–	(181,858)	181,858	–
Recognition of equity-settled share-based payment expenses (Note 24(i))	–	–	–	963	–	–	963
Deferred tax arising from equity component of convertible bonds	–	–	(705)	–	–	–	(705)
Loss for the year (Note 7)	–	–	–	–	–	(57,784)	(57,784)
At 31 December 2007	<u>50,008</u>	<u>2,191</u>	<u>2,627</u>	<u>7,933</u>	<u>–</u>	<u>(58,247)</u>	<u>4,512</u>

23. RESERVES (continued)

Company	Share premium <i>HK\$'000</i> <i>(Note (i))</i>	Warrants reserve <i>HK\$'000</i> <i>(Note (ii))</i>	Convertible bonds – equity component <i>HK\$'000</i> <i>(Note (iii))</i>	Share option reserve <i>HK\$'000</i> <i>(Note (v))</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008	50,008	2,191	2,627	7,933	(58,247)	4,512
Redemption of convertible bond (Note 21)	–	–	(2,268)	–	2,268	–
Renewal of convertible bond (Note 21)	–	–	(359)	–	359	–
Release upon lapse and surrender of share options	–	–	–	(4,446)	4,446	–
Loss for the year (Note 7)	–	–	–	–	(111,173)	(111,173)
At 31 December 2008	<u>50,008</u>	<u>2,191</u>	<u>–</u>	<u>3,487</u>	<u>(162,347)</u>	<u>(106,661)</u>

Pursuant to an ordinary resolution passed on 17 April 2007, the Company's contributed surplus as at 31 December 2006 was transferred to set off against its accumulated losses.

Notes:

(i) Share premium

The application of the share premium account is governed by Section 40 of Bermuda Companies Act 1981.

(ii) Warrants reserve

This reserve represents placing of unlisted warrants of 5 million at HK\$0.1 per each and issuance of 16,905,460 warrants in open offer at HK\$0.1 per each in 2007.

(iii) Convertible bonds – equity component

This reserve represents the value of the unexercised equity component of convertible notes issued by the Group in 2007.

(iv) Land and buildings revaluation reserve

Land and buildings revaluation reserve arose in 2005 upon the fair value adjustment when the Group's then land and buildings changed to investment properties.

(v) Share option reserve

This reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible persons, including any full time employee, director of the Company and its subsidiaries, recognised in accordance with the accounting policy in Note 3 "Share-based payments".

23. RESERVES (continued)

Notes: (continued)

(vi) Contributed surplus

Contributed surplus of the Group represents (i) the excess of the fair value of the issued share capital of subsidiaries acquired pursuant to a group reorganisation which took place in 1992 over the nominal value of the Company's shares issued in exchange therefor; (ii) the increase and application of contributed surplus under the capital reorganisation scheme which took place in 2003; and (iii) the increase of contributed surplus under the capital reorganisation which took place in 2005.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(vii) Exchange fluctuation reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, mainly denominated in Renminbi. The reserve is dealt with in accordance with the accounting policy in Note 3 "Translation of foreign currencies".

No dividend was declared or paid during the year (2007: HK\$Nil).

24. SHARE-BASED PAYMENT TRANSACTIONS

The Company operates the following equity-settled share option arrangements:

(i) 2002 Share Option Scheme

The Company adopted a share option scheme on 16 May 2002 (the "2002 Option Scheme"), to adopt the provisions in the Chapter 17 of the Listing Rules, under which the Company may grant options to any executive or non-executive directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards. As at 31 December 2008, options have already been granted to employees, executive directors, and a consultant of the Company.

On 10 January 2007, the Company granted 1,240,000 options to certain directors and employees at the exercise price of HK\$1.90 each for a period of three years for directors and two years for employees and the related expenses of HK\$963,000 (Note 7) was charged to the consolidated income statement in prior year.

On 30 November 2007, the Company granted 8,000,000 options to Quants at the exercise price of HK\$2.15 each for a period of 18 months as underwriting commission in respect of the underwriting agreement entered into between the Company and Quants dated 21 September 2007 and such share-based payment expenses were recognised as a transaction cost of HK\$3,442,000 charged to share premium account (Note 22(c)(iv)). After the share subdivision in December 2007, the number of options and exercise price of the options granted to Quants were adjusted to 80,000,000 and HK\$0.215 each respectively. On 26 March 2008, the Company received a notice from Quants, regarding the surrender of the 80,000,000 options granted to Quants and the Company agreed this surrender.

During the year, 10,538,000 share options were lapsed, while 80,000,000 share options were surrendered. Accordingly, the share-based payment expenses of HK\$1,004,000 previously recognised in the share option reserve was also released to accumulated losses.

(ii) Options granted under general mandate

No option was granted under general mandate during the year (2007: HK\$Nil).

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Movements of share options of the Company during the years ended 31 December 2007 and 2008 are as follows:

	Number of Share Options									
	Outstanding	Granted	Exercised	Lapsed	Adjusted in	Subdivided	Outstanding	Lapsed	Surrendered	Outstanding
	as at	during	during	during	the open	during	as at	during	during	as at
1.1.2007	2007	2007	2007	offer during	2007	31.12.2007	2008	2008	31.12.2008	
'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	
Category:										
2002 Option Scheme (note i)										
Directors	2,000	300	-	-	123	21,813	24,236	-	-	24,236
Ex-directors*	100	600	-	-	38	6,638	7,376	(7,376)	-	-
Employees	80	340	(80)	(160)	10	1,707	1,897	(1,054)	-	843
Consultants	520	-	-	(320)	11	1,897	2,108	(2,108)	-	-
Quants	-	8,000	-	-	-	72,000	80,000	-	(80,000)	-
	<u>2,700</u>	<u>9,240</u>	<u>(80)</u>	<u>(480)</u>	<u>182</u>	<u>104,055</u>	<u>115,617</u>	<u>(10,538)</u>	<u>(80,000)</u>	<u>25,079</u>
Weighted average exercise price	5.668	2.12	1.90	5.78	-	-	0.276	0.232	0.215	0.490
Total number of share options	<u>2,700</u>	<u>9,240</u>	<u>(80)</u>	<u>(480)</u>	<u>182</u>	<u>104,055</u>	<u>115,617</u>	<u>(10,538)</u>	<u>(80,000)</u>	<u>25,079</u>

* Remark: The ex-directors included Mr. Yiu Ying Fai and Mr. Cheung Chi Fai, Frank who resigned on 25 July 2007 and 28 November 2007 respectively.

In the prior year, 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\$2.528. The option outstanding at the end of the year had a weighted average remaining contractual life of 5.52 years (2007: 2.45 years).

25. DISPOSAL, LIQUIDATION AND DEREGISTRATION OF SUBSIDIARIES

In 2008, 惠州泓開商務諮詢有限公司, a wholly-owned subsidiary of the Company, was deregistered. As it was dormant up to the date of deregistration, there is no material impact on the Group's financial statements.

In 2007, Visual Paradise, Inc., Channel Media Inc., Sun Innovation Software LLC, Media Elite Japan Limited and Drive Limited, wholly owned subsidiaries of the Company, were voluntarily liquidated or deregistered, where appropriate.

25. DISPOSAL, LIQUIDATION AND DEREGISTRATION OF SUBSIDIARIES *(continued)*

The net assets of the subsidiaries disposed of, liquidated and deregistered, where appropriate, at the relevant dates were as follows:

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Property, plant and equipment	13	–	36
Intangible assets	15	–	13,587
Finance lease receivables, trade receivables, other receivables and prepayments		–	328,726
Obligation under finance leases, trade payables, other payables and accruals		–	(342,358)
Tax payable		–	(5)
Net identifiable assets and liabilities		<u>–</u>	<u>(14)</u>
Release of exchange fluctuation reserve		–	5
Gain on disposal of subsidiaries	6	–	9
Total consideration of disposal and net assets for distribution upon liquidation and deregistration		<u>–</u>	<u>–</u>
Net cash outflow arising from disposal, liquidation and deregistration of subsidiaries:			
Bank balances and cash disposed of and distributed upon liquidation and deregistration		<u>–</u>	<u>–</u>

The subsidiary deregistered during the year ended 31 December 2008 did not have any contribution to either the Group's turnover or the Group's operating results.

The subsidiaries liquidated and deregistered during the year ended 31 December 2007 contributed HK\$4,909,000 to the Group's turnover and a loss of HK\$8,629,000 to the Group's operating results.

26. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2007, Cellcast (Asia) Limited, a 99.93%-owned subsidiary as at 31 December 2006, settled accounts payable of HK\$4,963,000 by issue and allotment of its new 8,000 ordinary shares to the creditor, pursuant to which Cellcast (Asia) Limited became a 82.38%-owned subsidiary of the Company.

27. RETIREMENT BENEFIT SCHEME

The Group contributes to defined contribution provident funds, including the scheme set up pursuant to the Hong Kong Mandatory Provident Fund Ordinance ("MPF Scheme"), which are available to all employees. In accordance with the terms of the provident funds, contributions to the schemes by the Group and the employees are calculated as a percentage of the employees' basic salaries. For the MPF Scheme, both the employees and the employer are required to contribute 5% of the employees' monthly salaries up to a maximum of HK\$1,000 ("Mandatory Contribution"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement age of 65 years old, death or total incapacity. The unvested benefits of employees forfeited upon termination of employment can be utilised by the Group to reduce future levels of contributions. During the year, the aggregate amount of employer's contribution net of forfeited contribution made by the Group was HK\$713,000 (2007: HK\$415,000).

Subsidiaries operating in Mainland China are required to participate in a defined contribution retirement plan organised by the local government. The subsidiaries are required to make contributions to the retirement plan at certain percentage of basic salaries of each Mainland China employee of the Group. No further payment obligations once the contribution has been made.

28. OPERATING LEASE COMMITMENTS

- (i) As at 31 December 2008, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group			
	Land and buildings		Equipment	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	4,064	2,183	15	25
Later than one year and not later than five years	2,120	1,879	17	32
	<u>6,184</u>	<u>4,062</u>	<u>32</u>	<u>57</u>

	Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	<u>542</u>	<u>336</u>

Land and buildings are negotiated for an average term of three years, at a fixed rental.

- (ii) As at 31 December 2008, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Investment properties	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	3,471	4,356
Later than one year and not later than five years	1,422	4,239
	<u>4,893</u>	<u>8,595</u>

The investment properties have committed tenants for an average term of three years.

29. CREDIT FACILITIES, PLEDGE OF ASSETS AND GUARANTEES

- (a) As at 31 December 2008, the Group had aggregate banking facilities of HK\$64,085,000 (2007: HK\$69,921,000) from banks for guarantees and loans. The bank facilities are secured by:

- (i) cross guarantees totalling HK\$55,000,000 (2007: HK\$35,000,000) given by the Company and certain of its subsidiaries in respect of a shared banking facility to be used by the Company and these subsidiaries.

Under the guarantee, the Company and certain subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

- (ii) certain investment properties of the Group with a total carrying value of HK\$116,000,000 (2007: all investment properties HK\$164,440,000) as at 31 December 2008 (Note 14).

- (iii) personal guarantee of a director of the Company and an ex-director of a subsidiary up to the extent of HK\$390,000 (2007: HK\$390,000).

- (b) The Group's unsecured revolving term loan facility of HK\$20,000,000 from Quants was contracted on 12 April 2007 for a period of 18 months from 1 July 2007 to 31 December 2008. The above facility of HK\$20,000,000 from Quants was renewed on 31 December 2008 for a period of 18 months from 1 January 2009 to 30 June 2010.

30. LITIGATION

A third party notice was served upon the Company in September 1998 to seek indemnity/contribution from the Company and was subsequently amended in October 1998. The Company is alleged to be in default of the co-operative agreement in respect of a corporate guarantee of HK\$2,000,000. After obtaining the legal advice from a lawyer, the directors are of the opinion of the case has been dormant for a number of years and is remote, therefore no provision has been made in the financial statements in respect of the alleged claim.

31. CAPITAL COMMITMENT

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

32. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(i) Details of transactions between the Group and other related parties, save as disclosed in Notes 11, 20, 24 and 29, are as follows:

(a) A subsidiary of the Company received management service income of HK\$786,000 (2007: HK\$989,000) from Quants and its subsidiary for the provision of general administrative and corporate services.

(b) A subsidiary of the Company received telecommunication revenue of HK\$1,971,000 (2007: HK\$1,975,000) from a subsidiary of Quants.

The above service income was determined at market rate with reference to the cost incurred in provision of the services and the relationships between the parties.

(ii) Members of key management during the year comprised only of the executive directors whose remuneration is set out in Note 9.

33. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Notes 20 and 21, bank balances and cash disclosed in Note 18 and equity attributable to equity holders of the company, comprising share capital, and reserves and accumulated losses disclosed in Notes 22 and 23 and the consolidated statement of changes in equity, respectively.

The Group's risk management reviews the capital structure on a semi-annual basis. The Group will consider both debt financing and equity financing, for its capital requirement. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

34. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due within 60 days from the date of billing. Debtors with balances that are more than 2 months past due are normally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

At 31 December 2008, the Group has a concentration of credit risk as 38% and 75% (2007: 39% and 83%) respectively of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 17.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

Group	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
2008						
Bank loans	63,448	72,698	29,618	2,070	7,045	33,965
Other loans	20,295	22,718	22,718	–	–	–
Convertible bond	5,664	7,740	–	7,740	–	–
Trade payables, other payables and accruals	30,763	30,763	30,763	–	–	–
	<u>120,170</u>	<u>133,919</u>	<u>83,099</u>	<u>9,810</u>	<u>7,045</u>	<u>33,965</u>
2007						
Bank loans	9,337	11,340	1,359	1,348	3,993	4,640
Convertible bonds	11,213	13,230	13,230	–	–	–
Trade payables, other payables and accruals	18,022	18,022	18,022	–	–	–
	<u>38,572</u>	<u>42,592</u>	<u>32,611</u>	<u>1,348</u>	<u>3,993</u>	<u>4,640</u>

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Company	Carrying amount HK\$ '000	Total contractual undiscounted cash flow HK\$ '000	Within 1 year or on demand HK\$ '000	More than 1 year but less than 2 years HK\$ '000	More than 2 years but less than 5 years HK\$ '000	More than 5 years HK\$ '000
2008						
Bank loans	54,850	62,161	28,863	1,324	4,843	27,131
Other loans	20,295	22,718	22,718	–	–	–
Convertible bond	5,664	7,740	–	7,740	–	–
Other payables and accruals	1,639	1,639	1,639	–	–	–
	<u>82,448</u>	<u>94,258</u>	<u>53,220</u>	<u>9,064</u>	<u>4,843</u>	<u>27,131</u>
2007						
Convertible bonds	11,213	13,230	13,230	–	–	–
Other payables and accruals	3,052	3,052	3,052	–	–	–
	<u>14,265</u>	<u>16,282</u>	<u>16,282</u>	<u>–</u>	<u>–</u>	<u>–</u>

Further analysis on the liquidity risk of the Group is set out in Note 3.

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and convertible bonds. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group's interest rate profile as monitored by management is set out below.

The following table details the interest rate profile of the Group's and the Company's net borrowings (as defined above) at the balance sheet date.

	Group		Group	
	2008 Effective interest rate %	HK\$ '000	2007 Effective interest rate %	HK\$ '000
Fixed-rate borrowing				
Other loans	25	20,295	–	–
Convertible bonds	50.41	5,664	17	11,213
		<u>25,959</u>		<u>11,213</u>
Variable-rate borrowings				
Bank loans	2.85 – 11.25	63,448	4.6-11.25	9,337
Total borrowings		<u>89,407</u>		<u>20,550</u>
Fixed-rate borrowings as a percentage of total borrowings		<u>29.0%</u>		<u>54.6%</u>

34. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk (continued)

	Company			
	2008		2007	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
Fixed-rate borrowing				
Other loans	25	20,295		–
Convertible bonds	50.41	5,664	17	11,213
		<u>25,959</u>		<u>11,213</u>
Variable-rate borrowings				
Bank loans	2.91 – 5.75	54,850	N/A	–
Total borrowings		<u>80,809</u>		<u>11,213</u>
Fixed-rate borrowings as a percentage of total borrowings		<u>32.1%</u>		<u>100%</u>

The interest rates and terms of repayment of the Group's and the Company's borrowings are disclosed in Notes 20 and 21.

Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by HK\$876,000 (2007: HK\$93,000). Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(d) Currency risk

Current risk to the Group is minimal as most of the Group's transactions are carried out in respective functional currencies of the Group entities.

(e) Price risk

The Group is not exposed to any equity price risk or commodity price risks, except for the fair value of derivative component of convertible bond.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

35. SIGNIFICANT NON-ADJUSTING POST BALANCE SHEET EVENTS

On 24 March 2009, the Company made an announcement in connection with (i) the proposed capital reorganisation which involves consolidation of every 20 issued and unissued existing shares of HK\$0.10 each into 1 consolidated share of HK\$2.00 each ("Consolidated Share"); the reduction of issued share capital whereby the par value of each issued Consolidated Share will be reduced from HK\$2.00 to HK\$0.01 by cancelling HK\$1.99 of the paid-up capital on each issued Consolidated Share; the subdivision of each authorised but unissued Consolidated Share of HK\$2.00 each into 200 adjusted shares of HK\$0.01 each ("Adjusted Shares"); the transfer of the credit arising from the capital reduction to the contributed surplus account of the Company; and the application of the entire balance of the contributed surplus account of the Company to offset against the accumulated losses as permitted by the laws of Bermuda and the Bye-Laws; and (ii) conditional upon the Capital Reorganisation becoming effective, the proposed issue of offer shares to the qualifying shareholders on the basis of 5 offer shares for every 1 Adjusted Share held on the record date at the subscription price of HK\$0.15 per each offer share to raise not less than HK\$55.13 million but not more than HK\$64.95 million, before expenses. Further details are set out in the Company's announcement dated 24 March 2009.

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2007 and 2008 may be categorised as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and bank balances)	18,326	23,350
Financial liabilities		
Financial liabilities measured at amortised cost	117,076	33,794

3. MATERIAL CHANGES

Save as disclosed below, there has been no material changes in the financial or trading position or outlook of the Group since 31 December 2008, the date to which the latest published audited consolidated accounts of the Group were made up to the Latest Practicable Date:

- (i) the Company's unsuccessful attempt to make an open offer of the Company (for which shareholders approval was not obtained), details of which were announced in the Company's announcements dated 24 March 2009 and 18 May 2009;
- (ii) the entering into and completion of the sale and purchase agreement dated 22 May 2009 for the disposal for a total consideration of RMB12,000,000 (equivalent to approximately HK\$13,683,000) of the entire issued share capital in Million Year Consultants Limited, the legal and beneficial owner of 20 service apartments in Suzhou, the PRC, details of which were announced in the Company's announcement dated 22 May 2009;
- (iii) the suspension in the trading of the Existing Shares from 18 May 2009 to 17 June 2009 (both days inclusive). The terms of the Existing CB (particulars of which are set out in the announcement of the Company dated 26 September 2008) provide that its holder may require immediate redemption of the Existing CB at its face value (together with interest accrued thereon) if the Shares cease to be listed on the Stock Exchange for a continuous period of 14 trading days. As at the Latest Practicable Date, the Company has not received any demand for redemption from the holder of the Existing CB;
- (iv) the entering into of the CB Placing Agreement and the Subscription Agreement for the proposed issue of new convertible bonds of up to HK\$320 million in principal amount seeking to raise a maximum net proceeds of approximately HK\$315.2 million. The proposed issue of the new convertible bonds pursuant to the CB Placing Agreement and the Subscription Agreement remains conditional upon fulfillment of the conditions precedent as set out in the Joint Announcement;
- (v) the entering into of and completion of the Share Placing Agreement in respect of a "best efforts" placing of 294,000,000 new Shares at HK\$0.1441 per Existing Share raising net proceeds of approximately HK\$41.30 million, details of which were announced in the Company's announcements dated 25 June 2009 and 8 July 2009.

4. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 May 2009, being the latest practicable date prior to the printing of this Composite Document for the purpose of this indebtedness statement, the Group had outstanding secured bank borrowings of approximately HK\$53.1 million, which were secured by the pledge of investment properties of the Group. The bank facilities were also secured (a) partly by cross guarantees totalling HK\$55.0 million given by the Company and certain of its subsidiaries in respect of a shared banking facility to be used by the Company and these subsidiaries; and (b) partly by a personal guarantee by Mr. Matsuda and Mr. Craig Inouye (a former director of a

subsidiary of the Company who did not have any other role in the Group after his resignation), to the extent of approximately HK\$390,000. In addition, the Group had (i) unsecured other borrowings from certain independent third parties with the related interest payables of approximately HK\$43.0 million; and (ii) outstanding convertible bonds with the related interest payables in an aggregate amount of approximately HK\$6.2 million as at 31 May 2009.

Save as disclosed above at the close of the business on 31 May 2009, the Group did not have any other outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptance (other than normal trade payables of approximately HK\$11.8 million) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitment or guarantees.

Subsequent to 31 May 2009, Wise Sun has provided a short term loan facility of HK\$60 million to the Company which is unsecured and interest bearing at 5% per annum. The short term loan facility is available for drawdown up to September 2009 and is repayable within six months from the date of drawdown. As of the Latest Practicable Date, the Company has utilised HK\$43.6 million of short term facility to fully repay the other borrowings from certain independent third parties and related interest payables as mentioned in (i) above.

Contingent Liabilities

A third party notice was served upon the Company in September 1998 to seek indemnity/contribution from the Company and was subsequently amended in October 1998. The Company was alleged to be in default of the co-operative agreement in respect of a corporate guarantee of HK\$2,000,000. After obtaining legal advice from a law firm, the Directors are of the opinion that the case has been dormant for a number of years and ruling against the Company is remote. Therefore no provision has been made in the financial statements in respect of the alleged claim.

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

The Directors confirm that, save as disclosed herein, there has not been any material change in the indebtedness or contingent liabilities of the Group since 31 May 2009.

The following is the text of the letter, summary of valuations and valuation certificates received from DTZ Debenham Tie Leung Limited in connection with its opinion of market values of the property held by the Group as at 31 May 2009 prepared for the purpose of incorporation in this circular.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

20 July 2009

The Directors
Sun Innovation Holdings Limited
3/F, Chung Nam Building
1 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with your instructions for us to value the properties which are held by Sun Innovation Holdings Limited (the “Company”) or its subsidiaries (hereinafter together referred to as the “Group”) in Hong Kong as set out in the attached Summary of Valuations, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such properties as at 31 May 2009 (the “date of valuation”).

Definition of Market Value

Our valuation of each property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Valuation Basis and Assumption

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

As advised by the Group, for indication purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of properties in Hong Kong is stamp duty (3.75%). According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. The precise tax implication will be subject to rules and regulation prevailing at the time of disposal. As advised by the Group, the properties are held for investment purpose, the Group has no intention to dispose these properties as at the date of the valuation report. The likelihood of the relevant tax liabilities being crystallized is remote.

Method of Valuation

We have valued the properties by direct comparison method by making reference to comparable sales evidence as available in the relevant market or, where appropriate, by investment method by capitalizing the rental incomes with due provisions for reversionary income potential of the properties.

In valuing the properties, we have complied with the requirements set out in Chapter 5 of the Listing Rules of The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) of the Hong Kong Institute of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Group. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion date, identification of properties, particulars of occupancy, tenancy details, floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

Title Investigation

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the Land Registry in respect of the properties in Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exterior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of documents handed to us are correct.

We attach herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
Registered Professional Surveyor
M.R.I.C.S., M.H.K.I.S.
Director

Note: Mr. K.B. Wong is a Registered Professional Surveyor who has over 20 years' experience in the valuation of properties in Hong Kong.

SUMMARY OF VALUATIONS

Properties held for investment by the the Group in Hong Kong

Property	Capital value in existing state as at 31 March 2009	Capital value in existing state as at 31 May 2009
1. Shop A on Ground Floor and the External Walls of Such Shop, Citicorp Centre, No. 18 Whitfield Road, Hong Kong	HK\$56,000,000	HK\$56,000,000
2. Shop B on Ground Floor and the External Walls of Such Shop, Loading and Unloading Bay Nos. U1, U2, U3, U9 & U10 on First Floor, Car Parking Space Nos. 22, 23, 33, 50 & 50A on Second Floor, Citicorp Centre, No. 18 Whitfield Road, Hong Kong	HK\$60,000,000	HK\$60,000,000
Grant Total:	HK\$116,000,000	HK\$116,000,000

Note: We have also issued a Valuation Report on 24 April 2009 to the Company regarding valuation of the same properties as at 31 March 2009.

VALUATION CERTIFICATE

Properties held for investment by the Group in Hong Kong

			Capital value in existing state as at 31 May 2009
Property	Description and tenure	Particulars of occupancy	
1. Shop A on Ground Floor and the External Walls of Such Shop, Citicorp Centre, No. 18 Whitfield Road, Hong Kong	<p>The property comprises a retail unit on the ground floor of a 38-storey commercial building completed in 1983.</p> <p>The property has a saleable area of approximately 715.35 sq.m. (7,700 sq.ft.).</p>	As at the date of valuation, the property is subject to various tenancies with the latest term due to expire on 30 April 2012 at a total monthly rent of HK\$229,500, exclusive of rates, management fees and air-conditioning charges.	HK\$56,000,000
622/10080th equal and undivided shares of and in the Remaining Portion of Inland Lot No. 2227 and the Remaining Portion of Inland Lot No. 1936	<p>The property is held from the Government under two Government Leases for a term of 75 years from 21 March 1904 renewed for a further term of 75 years.</p> <p>The current Government rent payable for the property is HK\$5,400 per annum.</p>		

Notes:

- (1) The registered owner of the property is Cornwick Investments Limited which is a wholly-owned subsidiary of Sun Innovation Holdings Limited.
- (2) The property is subject to an "all monies" Mortgage in favour of DBS Kwong On Bank Limited.
- (3) The property is subject to an Assignment of Rental in favour of DBS Kwong On Bank Limited.
- (4) The property is subject to an "all monies" Second Mortgage in favour of DBS Bank (Hong Kong) Limited.
- (5) As advised by the Group, the underlying facilities which were secured by the Mortgage in (2) has been fully settled. The bank and the Group did not prepare the formal release for the mortgage in (2) as the second mortgage in (4) for the Group's banking facility still existing.

VALUATION CERTIFICATE

Properties held for investment by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2009
2. Shop B on Ground Floor and the External Walls of Such Shop, Loading and Unloading Bay Nos. U1, U2, U3, U9 & U10 on First Floor, Car Parking Space Nos. 22, 23, 33, 50 & 50A on Second Floor, Citicorp Centre, No. 18 Whitfield Road, Hong Kong 690/10080th equal and undivided shares of and in the Remaining portion of Inland Lot No. 2227 and the Remaining Portion of Inland Lot No. 1936	<p>The property comprises a retail shop on the ground floor, five loading and unloading bays on the first floor and five car parking spaces on the second floor of a 38-storey commercial building completed in 1983.</p> <p>The property has a saleable area of approximately 812.89 sq.m. (8,750 sq.ft.).</p> <p>The property is held from the Government under two Government Leases for a term of 75 years from 21 March 1904 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$8,376 per annum.</p>	<p>As at the date of valuation, the property was subject to a tenancy for a term of 3 years due to expire on 14 August 2010 at a monthly rent of HK\$128,000, exclusive of rates, management fees and air conditioning charges.</p> <p>As at the date of valuation, car parking space nos. 23 and 50A on second floor were vacant while the remaining car parking spaces and loading and unloading bays were subject to various tenancies with the latest term due to expire on 31 May 2011 at a total monthly rent of HK\$30,100.</p>	HK\$60,000,000

Notes:

- (1) The registered owner of the property is Sai Chak Company Limited which is a wholly-owned subsidiary of Sun Innovation Holdings Limited.
- (2) The property is subject to an "all monies" Mortgage in favour of DBS Bank (Hong Kong) Limited.
- (3) The property is subject to an Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited.
- (4) The property is subject to an "all monies" Second Mortgage in favour of DBS Bank (Hong Kong) Limited.

RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than information relating to the Offeror, its ultimate beneficial owner and parties acting in concert with any of them and the terms of the Offers) contained in this Composite Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by Wise Sun, its ultimate beneficial owner and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had an authorised ordinary share capital of HK\$730,000,000 divided into 7,300,000,000 ordinary shares of HK\$0.10 each and an authorised convertible preference share capital of HK\$20,000,000 divided into 2,000,000,000 convertible preference shares of HK\$0.01 each. As at the Latest Practicable Date, there was no outstanding convertible preference shares. The authorised and issued ordinary share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised ordinary share capital:</i>		<i>HK\$</i>
<u>7,300,000,000</u>	Existing Shares as at the Latest Practicable Date	<u>730,000,000</u>
<i>Issued:</i>		
1,470,040,740	Existing Shares as at 31 December 2008	147,004,074
73,600	Existing Shares issued on 1 June 2009 on exercise of warrants in the amount of HK\$15,824	7,360
<u>294,000,000</u>	Existing Shares issued on 8 July 2009 pursuant to the Share Placing Agreement	<u>29,400,000</u>
<u>1,764,114,340</u>	Existing Shares as at the Latest Practicable Date	<u>176,411,434</u>

All Existing Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. Save as disclosed, the Company has not issued any other Existing Share since 31 December 2008, the date to which the latest audited financial statements of the Company were made up.

As disclosed in the Joint Announcement, the Company proposes to effect a Capital Reorganisation, which is conditional upon, among other things, Shareholders' approval at a general meeting to be held, as a result of which the authorised share capital of the Company will become HK\$750,000,000 divided into 75,000,000,000 New Shares of HK\$0.01 each.

As at the Latest Practicable Date, in addition to the Existing Shares disclosed above, the Company had the following outstanding securities:

- (a) 24,236,560 Options which confer rights on holders to subscribe for 24,236,560 Shares. Details of the exercise price and exercise period of the Options are as follows:-

Grantees	Exercise price/Share <i>(HK\$)</i>	Exercise period
Mr. Matsuda	0.549	25/5/2005 – 24/5/2015
Mr. Leung	0.180	10/1/2007 – 9/1/2010

- (b) Existing CB in the outstanding principal amount of HK\$7,200,000 which is convertible into 68,571,428 Existing Shares at the prevailing conversion price of HK\$0.105 per Existing Share, subject to the conditions and procedures for conversion as set out in the Company's announcements dated 15 February 2007 and 26 September 2008.

Save as disclosed above, as at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right on the holder thereof to subscribe for, convert or exchange into new Shares.

As disclosed in the Joint Announcement, the Company entered into the CB Placing Agreement in respect of a best efforts placing of Placing CBs in an aggregate principal amount of up to HK\$200,000,000, convertible into up to 5,000,000,000 New Shares at the initial conversion price of HK\$0.04 per New Share, within a period of six months from the date of fulfillment of all conditions precedent to the CB Placing Agreement. In conjunction with the CB Placing Agreement, the Company and Wise Sun entered into the Subscription Agreement, pursuant to which Wise Sun has agreed to subscribe the Subscription CBs in an aggregate principal amount of up to HK\$120,000,000, convertible into up to 3,000,000,000 New Shares at the initial conversion price of HK\$0.04 per New Share. The CB Placing Agreement and the Subscription Agreement remain conditional upon fulfillment of conditions precedent as set out in the Joint Announcement including, among other things, Shareholders' approval at a special general meeting to be held on 26 August 2009. Based on the expected timetable set out in the Composite Document, completion of the transactions under the CB Placing Agreement and the Subscription Agreement will, if takes place, be after the final closing date of the Offers (i.e. 24 August 2009).

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Existing Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be 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 Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(a) Existing Shares of HK\$0.10 each of the Company

Name of Directors	Nature of interest	Number of Existing Shares held	Approximate percentage holdings
Mr. Matsuda	Beneficial owner and interest of controlled corporation (Note 1)	80,570,000	4.57%
Mr. Leung	Beneficial owner	1,730,000	0.10%

Note:

- 10,000 Existing Shares are beneficially held by Mr. Matsuda. 80,560,000 Existing Shares are held by e-Compact Limited, a company wholly and beneficially owned by Anglo Japan Enterprises Limited, which is in turn wholly and beneficially owned by Mr. Matsuda.

(b) Share Options

Name of Directors	Nature of interest	Number of Options
Mr. Matsuda	Beneficial owner	21,075,270
Mr. Leung	Beneficial owner	3,161,290

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company and their respective associates had any interests or short positions in the Existing Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be 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.

DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, 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 Existing Shares and underlying Existing 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 10% 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.

Name of Shareholders	Nature of interest	Number of Shares interested or deemed to be interested (long position)	Approximate percentage of the existing issued share capital of the Company
Wise Sun	Beneficial owner	560,395,180	31.77%
	Beneficial owner	3,000,000,000 (Note 1)	170.05% (Note 1)
Bright Ace Holdings Limited	Interest of controlled corporation (Note 2)	560,395,180	31.77%
	Interest of controlled corporation (Note 2)	3,000,000,000 (Note 1)	170.05% (Note 1)
Suen Cho Hung, Paul	Interest of controlled corporation (Note 3)	560,395,180	31.77%
	Interest of controlled corporation (Note 3)	3,000,000,000 (Note 1)	170.05% (Note 1)
Zhou Jian	Interest of controlled corporation (Note 3)	560,395,180	31.77%
	Interest of controlled corporation (Note 3)	3,000,000,000 (Note 1)	170.05% (Note 1)
Ichiya Co., Ltd.	Beneficial owner	100,000,000	5.67%

Notes:

1. Wise Sun has entered into the Subscription Agreement, pursuant to which it has agreed to subscribe the Subscription CBs in an aggregate principal amount of up to HK\$120,000,000, convertible into up to 3,000,000,000 New Shares at the initial conversion price of HK\$0.04 per share.
2. Wise Sun stated in the Joint Announcement that Wise Sun is wholly owned by Bright Ace Holdings Limited.
3. Wise Sun stated in the Joint Announcement that Bright Ace Holdings Limited is owned as to 50% by Suen Cho Hung, Paul and as to 50% by Zhou Jian.

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 the Latest Practicable Date, had an interest or short position in the Existing Shares and underlying Existing 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 10% 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.

INTERESTS IN WISE SUN

As at the Latest Practicable Date, none of the Company nor any of its Directors have any interest in the shares of Wise Sun, and no such person (including the Company) had dealt in the shares of Wise Sun during the Relevant Period.

SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

None of the Directors have dealt for value in any Existing Share or any convertible securities, warrants, option or derivatives issued by the Company during the Relevant Period.

As at the Latest Practicable Date,

- (a) no Share or any convertible securities, warrants, option or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code or by the Independent Financial Adviser or any of its associates (as defined in the Takeovers Code), and no such person had dealt in the Existing Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (b) no Existing Shares or any convertible securities, warrants, option or derivatives issued by the Company was managed on a discretionary basis by fund managers connected with the Company, and no such person had dealt in the Share or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (c) no Existing Shares or any convertible securities, warrants, option or derivatives issued by the Company was owned or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and no such person had dealt in the Existing Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (d) other than (i) Mr. Leung who has informed the Company that he intends to reject the Offers in respect of his 1,730,000 Existing Shares and 3,161,290 Options and (ii) Mr. Matsuda who has informed the Company that he intends to reject the Share Offer in respect of 80,570,000 Existing Shares directly or indirectly held by him and to accept the Option Offer in respect of his 21,075,270 Options, none of the Directors have indicated their intention to accept or reject the Share Offer and/or the Option Offer; and

- (e) none of the Company or any of its Directors has borrowed or lent any Existing Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period.

MISCELLANEOUS

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) had been given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (b) no material contracts had been entered into by Wise Sun in which any Director has a material personal interest; and
- (c) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhou Ji, Jason has entered into a contract with the Company dated 19 May 2009 in relation to his appointment as an independent non-executive Director for a period of two years from 24 May 2009 to 23 May 2011 at a fixed monthly salary of HK\$15,000. No variable remuneration is payable under Mr. Zhou's contract.

Professor Chen Tien-yiu, Theodore has entered into a contract with the Company dated 24 September 2008 in relation to his appointment as an independent non-executive Director for a period of two years from 24 September 2008 to 23 September 2010 at a fixed monthly salary of HK\$15,000. No variable remuneration is payable under Professor Chen's contract.

Mr. Leung To Kwong, Valiant has executed a confirmation letter dated 13 October 2008 to re-designate his title to "Senior Executive Vice President and Executive Director" and revised his leave entitlement to 21 days. He also executed a confirmation letter dated 27 February 2009 with the Company in respect of the internal group transfer from the head office of the Company to a subsidiary of the Group, Cellcast (Asia) Limited, with effect from 1 March 2009. Mr. Leung executed another confirmation letter dated 18 June 2009 pursuant to which his employment will be transferred to Sun Innovation Holdings Limited and he will continue to act as an executive director of the Company while his employment as Senior Executive Vice President of the Company with full monthly salary of HK\$120,000 will cease after 31 October 2009. Mr. Leung's employment contract provides for a discretionary bonus, which will be payable at the discretion of the Company and which amount, if any, may vary depending on actual performance of the Company.

Mr. Matsuda has entered into a supplemental agreement with the Company dated 1 January 2009 to amend the service contract dated 9 January 2008 in respect of his appointment as the Chairman, Chief Executive Officer and Executive Managing Director. Pursuant to the supplemental agreement, Mr. Matsuda agreed to reduce the monthly salary from HK\$180,000 to HK\$35,000 with a reduced housing allowance of not more than HK\$46,000 per month and forfeiture of tax protection benefit. All other terms and conditions of his service contract remain unchanged and the term commenced on 1 January 2008 and will expire on 30 November 2010 with a termination notice requirement of eleven months. No variable remuneration is payable under Mr. Matsuda's contract.

Mr. Shinji Yamamoto has entered into a contract with the Company dated 16 February 2009 in relation to his re-appointment as non-executive Director for a period of two years from 16 February 2009 to 15 February 2011 without any salary payment. No variable remuneration is payable under Mr. Yamamoto's contract.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Group:

- (a) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months prior to 1 June 2009;
- (b) which are continuous contracts with a notice period of 12 months or more; or
- (c) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions in this Composite Document:

Name	Qualification
INCU Corporate Finance Limited (Independent Financial Adviser)	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
DTZ Debenham Tie Leung Limited	professional property valuer

Each of the Independent Financial Adviser and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter/report and/or references to its name in the form and context in which they are respectively included.

LITIGATION

A third party notice was served upon the Company in September 1998 to seek indemnity/contribution from the Company and was subsequently amended in October 1998. The Company was alleged to be in default of the co-operative agreement in respect of a corporate guarantee of HK\$2,000,000. After obtaining advice from legal advisers, the Directors are of the opinion that the case has been dormant for a number of years and is remote.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against either the Company or any of its subsidiaries.

MATERIAL CONTRACTS

Save as disclosed below, the Group had not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years prior to the date of commencement of the Offer Period and up to the Latest Practicable Date:

- (a) a placing agreement dated 23 July 2007 entered into between the Company and President Securities (Hong Kong) Limited (as placing agent) in respect of a best efforts placing of up to 10,000,000 ordinary shares of the Company at HK\$1.45 per placing share and 5,000,000 unlisted warrants at HK\$0.10 per warrant, details of which have been disclosed in the Company's announcement dated 23 July 2007;
- (b) an underwriting agreement dated 21 September 2007 entered into between the Company and Quants pursuant to which Quants acted as an underwriter in respect of the open offer of not more than 41,877,685 offer shares and 19,263,719 warrants, details of which have been disclosed in the Company's announcement dated 21 September 2007 and circular dated 23 October 2007;
- (c) a pageant hosting agreement dated 7 March 2008 entered into between S.I. Macau Entertainment Company Limited ("SIME"), a wholly owned subsidiary of the Company, ING Co., Ltd. ("ING") and Asia and Pacific Media Limited ("APM") pursuant to which ING and APM agreed to grant SIME the rights, including, inter alia, to host, produce and commercially exploit the Miss International Pageant for an annual fee of US\$3,000,000 (equivalent to approximately HK\$23,400,000), details of which have been disclosed in the Company's announcement dated 7 March 2008 and circular dated 25 March 2008;
- (d) a supplemental subscription agreement dated 26 September 2008 entered into between the Company and Violet Profit Holdings Limited to amend certain terms of the subscription agreement dated 14 February 2007 for the Existing CB including, inter alia, the extension of maturity date for 18 months and the adjustment of conversion price to HK\$0.105, details of which subscription agreement and the supplemental subscription agreement have been disclosed in the Company's announcement dated 15 February 2007 and 26 September 2008 respectively;

- (e) an underwriting agreement dated 19 March 2009 entered into between the Company, Mr. Matsuda and Emperor Securities Limited in relation to the proposed open offer which was the subject of the Company's announcements dated 24 March 2009 and 18 May 2009 and circular dated 24 April 2009;
- (f) a deed of settlement and variation dated 17 April 2009 entered into between SIME, ING and APM to release and discharge each other from any claim in respect of or arising from any breach of the pageant hosting agreement referred to in (c) above and SIME agreed to pay US\$1,450,000 (equivalent to approximately HK\$11,310,000) to APM, for itself and on behalf of ING, in full and final settlement of the annual fee of pageant hosting rights, details of which deed of settlement and variation have been disclosed in the Company's announcement dated 17 April 2009;
- (g) an agreement dated 22 May 2009 entered into between Sun Innovation Properties Holdings Limited ("SIPHL"), a wholly-owned subsidiary of the Company, and Hongkong Fax Nan Se International Trade Co., Ltd. for the sale and purchase for a total consideration of RMB12,000,000 (equivalent to approximately HK\$13,683,000) of the entire issued share capital in Million Year Consultants Limited, a wholly-owned subsidiary of SIPHL, holding 20 service apartments in Suzhou, the PRC, details of the disposal and agreement have been disclosed in the Company's announcement dated 25 May 2009;
- (h) the CB Placing Agreement;
- (i) the Subscription Agreement;
- (j) the Share Placing Agreement; and
- (k) a confirmation letter dated 8 July 2009 entered into among SIME, ING and APM pursuant to which all parties agreed that, among other things, subject to the payment of US\$1,385,480 (approximately HK\$10.8 million) (the "Final Payment"), (i) (save for the change of the date by which the Final Payment should be made from 5 June 2009 to 9 July 2009) the terms of the deed of settlement and variation referred to in (f) above shall remain unchanged and continue in full force and effect, and (ii) the payment of the Final Payment will be in full and final settlement of SIME's payment obligations under the deed of settlement and variation referred to in (f) above and the pageant hosting agreement referred to in (c) above.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company in Hong Kong at 3/F., Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong; (ii) on the website of the Securities and Futures Commission (www.sfc.hk); and (iii) the Company's website at www.suninnovation.com during the period from 20 July 2009 onwards for so long as the Offers remain open for acceptance:-

- (a) the memorandum of association and Bye-Laws of the Company;

- (b) the annual reports of the Company for the two years ended 31 December 2008;
- (c) the letter from the Board, the text of which is set out on pages 17 to 22 of this Composite Document;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this Composite Document;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 25 to 42 of this Composite Document;
- (f) the valuation report from DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix III pages 110 to 115 of this Composite Document;
- (g) the consent letters from the Independent Financial Adviser and DTZ Debenham Tie Leung Limited referred to in the paragraph headed “Expert and Consent” in this appendix;
- (h) the material contracts referred to under the paragraph headed “Material contracts” in this appendix; and
- (i) the service contracts of the Directors referred to in the paragraph headed “Directors’ Service Contracts” in this appendix.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to Shareholders and holders of the Existing CB and Options with regard to Wise Sun, the Group and the Offers.

The information contained in this Composite Document relating to Wise Sun and its intention has been supplied by Wise Sun. The directors of Wise Sun and Bright Ace Holdings Limited jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any such statement contained in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing price of the Existing Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Existing Share HK\$
31 December 2008	0.036
30 January 2009	0.042
27 February 2009	0.039
31 March 2009	0.025
30 April 2009	0.029
15 May 2009 (Last Trading Day)	0.041
29 May 2009	suspended
30 June 2009	0.165
17 July 2009 (being the Latest Practicable Date)	0.154

The highest and lowest closing prices of the Existing Shares during the Relevant Period were HK\$0.18 per Existing Share on 19 June 2009 and HK\$0.023 per Existing Share on 1 April 2009 respectively.

3. DISCLOSURE OF INTERESTS OF WISE SUN AND ITS DIRECTORS

Wise Sun is a wholly-owned subsidiary of Bright Ace Holdings Limited, which is in turn beneficially owned as to 50% each by Mr. Suen and Mr. Zhou.

Save for the interest in a total of 560,395,180 Existing Shares as a result of the acquisition of the Sale Shares and the subscription of the Subscription CBs by Wise Sun subject to the completion of the Subscription Agreement, none of Wise Sun, its directors and parties acting in concert with Wise Sun had any other interest in the Existing Shares, options, warrants, derivatives or securities which are convertible into Existing Shares as at the Latest Practicable Date. Save for the acquisition of the Sale Shares and the entering into of the Subscription Agreement, Wise Sun, its directors and parties acting in concert with any of them have not dealt in the Existing Shares, convertible securities, warrants, options and derivatives of the Company during the Relevant Period.

4. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY AND ARRANGEMENTS IN RELATION TO DEALINGS

- (a) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between Wise Sun or any person acting in concert with it and any other person.
- (b) As at the Latest Practicable Date, no person had irrevocably committed himself to accept or not to accept the Offers, and no such person had dealt in the Existing Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period.
- (c) During the Relevant Period, no shareholdings in the Company was owned or controlled by a person with whom Wise Sun or any person acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in the Existing Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period.
- (d) During the Relevant Period, neither Wise Sun nor any parties acting in concert with it has borrowed or lent any Shares or other securities of the Company carrying voting rights, or convertible securities, warrants, options or derivatives of the Company.

5. MISCELLANEOUS

As at the Latest Practicable Date,

- (a) there was no agreement, arrangement or understanding (including any compensation arrangement) between Wise Sun, any person acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependent upon the Offers;
- (b) no material contracts had been entered into by Wise Sun in which any Director has a material personal interest;
- (c) there was no agreement or arrangement to which Wise Sun is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers;
- (d) there is no agreement, arrangement or understanding that the securities acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons; and
- (e) save for the acquisition of the Sale Shares by Wise Sun and the entering into of the Subscription Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of Wise Sun or the Shares which might be material to the Offers.

6. EXPERT AND CONSENT

The following is the qualification of the expert whose letter/opinion is contained in this Composite Document:

Name	Qualification
Optima Capital Limited	a corporation licensed to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities as defined under the SFO and the financial adviser to Wise Sun in respect of the Offers

Optima Capital has given and has not withdrawn its written consent to the issue of this Composite Document with copy of its letter and the references to its name included herein in the form and context in which they are respectively included.

7. GENERAL

- (a) The registered office of Wise Sun is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. As at the Latest Practicable Date, the entire issued share capital of Wise Sun is held by Bright Ace Holdings Limited which is in turn beneficially owned as to 50% each by Mr. Suen and Mr. Zhou. The board of directors of Wise Sun and Bright Ace Holdings Limited comprised Mr. Suen and Mr. Zhou. The correspondence address of Wise Sun in Hong Kong is situated at Room 1704, 17/F., Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.
- (b) The registered address of Optima Capital is Unit 3618, 36th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (c) The English text of this Composite Document and the Form(s) of Acceptance shall prevail over their respective Chinese text for the purpose of interpretations.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company in Hong Kong at 3/F., Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong; (ii) on the website of the Securities and Futures Commission (www.sfc.hk); and (iii) the Company's website at www.suninnovation.com during the period from 20 July 2009 onwards for as long as the Offers remain open for acceptance:

- (a) the memorandum and articles of association of Wise Sun;
- (b) the letter from Optima Capital as set out on pages 7 to 16 of this Composite Document; and
- (c) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix.