
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, 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 circular and the accompanying form of proxy to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its 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 circular.

**SUN INNOVATION HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF THE SUBSCRIPTION CBs;**

(2) BEST EFFORTS PLACING OF THE PLACING CBs;

AND

(3) CAPITAL REORGANISATION

Independent Financial Adviser



INCU Corporate Finance Limited

A letter of advice from INCU Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its opinion regarding the Subscription Agreement is set out on pages 24 to 43 of this circular.

A notice convening a special general meeting of Sun Innovation Holdings Limited to be held at 3/F., Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong at 10:00 a.m. on Wednesday, 26 August 2009 is set out on pages 49 to 52 of this circular. If you are unable to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

20 July 2009

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	1
DEFINITIONS	2
LETTER FROM THE BOARD	7
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	23
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	24
APPENDIX – GENERAL INFORMATION	44
NOTICE OF SGM	49

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation is set out below:

Latest time for lodging proxy form for the SGM (not less than 48 hours)	10 a.m., Monday, 24 August 2009
SGM	10 a.m. on Wednesday, 26 August 2009
Announcement of the results of the SGM	Wednesday, 26 August 2009
Effective date of Capital Reorganisation	Thursday, 27 August 2009
Commencement of dealings in New Shares	9:30 a.m. on Thursday, 27 August 2009

All times and dates in this circular refer to Hong Kong local times and dates.

The timetable is subject to the votes of the SGM and other changes. The Company will notify the Shareholders of any significant changes to the expected timetable by way of announcement(s) as and when appropriate.

DEFINITIONS

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

“associate(s)”	unless otherwise defined, has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	means 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 Reduction”	the proposed reduction of the paid-up nominal value of each issued Existing Share from HK\$0.10 each to HK\$0.01 each by cancelling HK\$0.09 of the paid-up nominal value on each issued Existing Share
“Capital Reorganisation”	the proposed share capital reorganisation as set out under the section headed “The Capital Reorganisation” of this circular
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Committed Subscription CBs”	an aggregate principal amount of HK\$30 million of the Subscription CBs that are committed by Wise Sun to subscribe under the Subscription
“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
“connected person(s)”	has the meaning ascribed to it under Rule 1.01 and as extended by Rule 14A.11 of the Listing Rules
“Conversion Price”	HK\$0.04, being the initial conversion price at which each New CB Conversion Share will be issued upon the exercise of the conversion rights attaching to the New CBs
“Director(s)”	director(s) of the Company

DEFINITIONS

“Document”	the composite offer and response document dated 20 July 2009 issued by Wise Sun and the Company in respect of the Offers
“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 CB Conversion Shares”	the Shares to be allotted and issued upon the exercise of the conversion rights attached to the Existing CB
“Existing Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“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”	a board committee comprising of the independent non-executive Directors of the Company to make recommendations to the Independent Shareholders in respect of the Subscription
“Independent Financial Adviser”	INCUB Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
“Independent Shareholder(s)”	Shareholder(s) other than Wise Sun and its associates
“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 the Company and Wise Sun in relation to, inter alia, the Placing Agreement, the Subscription Agreement and the Capital Reorganisation
“Last Trading Day”	15 May 2009, being the last full trading day before trading of the Existing Shares was suspended pending the release of price sensitive information
“Latest Practicable Date”	17 July 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein

DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the maturity date of the New CBs, being the second anniversary from the date of issue of the Committed Subscription CBs
“Mr. Leung”	Mr. Leung To Kwong, Valiant, an executive Director
“Mr. Suen”	Mr. Suen Cho Hung, Paul
“Mr. Zhou”	Mr. Zhou Jian
“Mr. Matsuda”	Mr. Michele Matsuda, an executive Director
“New CBs”	together, the Placing CBs and the Subscription CBs
“New CB Conversion Share(s)”	the New Share(s) to be issued upon the exercise of the conversion rights attaching to the New CBs
“New Share(s)”	the ordinary shares of HK\$0.01 each in the share capital of the Company after the Capital Reorganisation becoming effective
“Offers”	offers made by Optima Capital Limited on behalf of Wise Sun for all the issued Existing Shares (other than those already owned or acquired by Wise Sun and parties acting in concert with it) and Existing CB and cancellation of all Options, details of which are set out in the Joint Announcement and the Document
“Options”	the options granted by the Company to subscribe for an aggregate of 24,236,560 Existing Shares pursuant to the Share Option Scheme
“Option Offer”	an appropriate offer to be made by Optima Capital on behalf of Wise Sun for the cancellation of the outstanding Options in accordance with the Takeovers Code
“Placing”	the best efforts placing of the Placing CBs in accordance with the terms and conditions of the Placing Agreement
“Placing Agent”	GT Capital Limited, a corporation licensed to carry out types 1 (dealing in securities) and 4 (advising on securities) regulated activities as defined under the SFO
“Placing Agreement”	the conditional placing agreement dated 17 June 2009 entered into between the Company and the Placing Agent in relation to the Placing

DEFINITIONS

“Placing CBs”	convertible bonds with aggregate principal amount of up to HK\$200 million to be placed by the Placing Agent under the Placing
“Placing CB Subscribers”	subscribers of the Placing CBs to be procured by the Placing Agent under the Placing
“Placing Period”	the period from (and excluding) the date of fulfilment of the conditions precedent to the Placing Agreement to (and including) the date which is six months thereafter
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened on 26 August 2009 to consider and, if thought fit, approve the Capital Reorganisation, the Subscription Agreement, the Placing Agreement and the transactions contemplated thereunder, including the issue of the New CBs and the allotment and issue of the New CB Conversion Shares
“Share(s)”	Existing Shares before the Capital Reorganisation becoming effective or New Shares after the Capital Reorganisation becoming effective
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 16 May 2002
“Share Placing”	the “best efforts” placing of up to 294,000,000 Existing Shares pursuant to the placing agreement dated 25 June 2009 entered into between the Company and the Placing Agent completed on 8 July 2009, details of which are set out in the Company’s announcements dated 25 June 2009 and 8 July 2009 respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by Wise Sun of the Subscription CBs in accordance with the terms and conditions of the Subscription Agreement

DEFINITIONS

“Subscription Agreement”	the conditional subscription agreement dated 17 June 2009 entered into between the Company and Wise Sun in relation to the Subscription
“Subscription CBs”	convertible bonds with principal amount of up to HK\$120 million to be subscribed by Wise Sun under the Subscription
“Wise Sun”	Wise Sun Holdings Limited, a company incorporated in the British Virgin Islands
“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 THE BOARD



SUN INNOVATION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

Executive Directors:

Mr. Michele Matsuda

Mr. Leung To Kwong, Valiant

Non-executive Director:

Mr. Shinji Yamamoto

Independent non-executive Directors:

Mr. Zhou Ji, Jason

Professor Chen Tien-yiu, Theodore

Mr. Wong Tak Shing

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 Shareholders

Dear Sir/Madam

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF THE SUBSCRIPTION CBs;
(2) BEST EFFORTS PLACING OF THE PLACING CBs; AND
(3) CAPITAL REORGANISATION**

INTRODUCTION

On 17 June 2009, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to procure, on a best efforts basis, subscribers to subscribe for the Placing CBs in the principal amount of up to HK\$200 million within the Placing Period in up to 4 separate tranches of HK\$50 million each or an integral multiple thereof.

In conjunction with the Placing, the Company and Wise Sun entered into the Subscription Agreement on 17 June 2009 pursuant to which the Company agreed to issue and Wise Sun agreed to subscribe for the Subscription CBs in the principal amount of up to HK\$120 million.

The purpose of this circular is to provide you with further details of the Subscription, the Placing and the Capital Reorganisation.

LETTER FROM THE BOARD

THE PLACING AGREEMENT

Date : 17 June 2009

Parties

Issuer : the Company
Placing Agent : GT Capital Limited

The Placing Agent is a wholly-owned subsidiary of Yunnan Tin Minerals of which Mr. Suen is beneficially interested in approximately 19.50% of the issued shares.

Securities to be placed

The Placing CBs with principal amount of up to HK\$200 million, which will be placed by the Placing Agent in up to 4 separate tranches with principal amount of HK\$50 million each or an integral multiple thereof.

Placing Commission

2% of the aggregate principal amount of the Placing CBs issued to the Placing CB Subscribers under each tranche of the Placing.

Placing CB Subscribers

The Placing Agent shall procure, on a “best efforts” basis, the Placing CB Subscribers to subscribe for the Placing CBs within the Placing Period. The Placing Agent undertakes to use all reasonable endeavours to procure that the Placing CB Subscribers and their ultimate beneficial owners are Independent Third Parties, are not connected persons of the Company or persons acting in concert with Wise Sun or its respective associates (as defined in the Takeovers Code), and that they do not hold, directly or indirectly, any Shares prior to the Placing.

The Company will comply with Chapter 14A of the Listing Rules if it comes to the Company’s notice that the Placing CBs were (despite the confirmations from the Placing CB Subscribers to the contrary) issued to connected persons of the Company. Further announcement(s) will be made upon completion of each tranche of the Placing.

Conditions precedent to the Placing Agreement

Completion of the Placing Agreement is conditional upon:

- (i) the passing by the Shareholders who are permitted to vote under the Listing Rules of a resolution at the SGM approving the issue of the New CBs and the allotment and issue of the New CB Conversion Shares in accordance with the Listing Rules and a resolution to approve the Capital Reorganisation;

LETTER FROM THE BOARD

- (ii) the Capital Reorganisation becoming effective; and
- (iii) the subscription of the Committed Subscription CBs by Wise Sun having been completed.

As explained in further details in the section headed “LISTING RULES IMPLICATIONS” below, only Independent Shareholders are to vote on the Placing Agreement at the SGM.

If the conditions precedent above are not fulfilled on or before 31 December 2009 (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall lapse and become null and void and the parties thereto will be released from all obligations under the Placing Agreement, save for liabilities arising out of any antecedent breaches of the terms of the Placing Agreement.

In addition to the fulfilment of the conditions precedent to the Placing Agreement, completion of each tranche of the Placing CBs shall be conditional upon:

- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) the listing of, and permission to deal in, the New CB Conversion Shares in respect of such tranche of the Placing CBs;
- (ii) the Company not having received any objection from the Stock Exchange to the issue of such tranche of the Placing CBs; and
- (iii) the aggregate principal amount of the Placing CBs to be issued pursuant to such tranche is HK\$50 million or an integral multiple thereof.

If the conditions for each relevant tranche of the Placing above are not fulfilled within 14 days from the date of the notice to be given by the Company to the Placing Agent confirming that it has no objection to the issue of all or any part of that tranche to the Placing CB Subscribers, then the obligations of respective parties in respect of the issue of that tranche of the Placing shall lapse.

THE SUBSCRIPTION AGREEMENT

Date : 17 June 2009

Parties

Issuer : the Company
Subscriber : Wise Sun

LETTER FROM THE BOARD

Securities to be subscribed

Pursuant to the Subscription Agreement, the Company agreed to issue and Wise Sun agreed to subscribe for the Subscription CBs in a principal amount of up to HK\$120 million. The Subscription CBs to be subscribed by Wise Sun will be issued in the following manner:

- (i) the Committed Subscription CBs will be subscribed by Wise Sun on the second Business Day following the conditions precedent to the Subscription Agreement as referred to below having been fulfilled; and
- (ii) the remaining balance of HK\$90 million of the principal amount of the Subscription CBs will be subscribed by Wise Sun with reference to such principal amount of the Placing CBs that would be successfully placed by the Placing Agent (other than the first HK\$50 million of principal amount of the Placing CBs) on a pro rata basis, whereby Wise Sun will subscribe for HK\$30 million of the Subscription CBs for every HK\$50 million of the remaining tranches of the Placing CBs to be placed by the Placing Agent.

The aggregate maximum amount of subscription monies of HK\$120 million payable by Wise Sun in respect of the Subscription CBs will be satisfied by setting off against any outstanding balance of the loan facility provided by Wise Sun to the Company as described in the paragraph headed “REASONS FOR THE SUBSCRIPTION AND PLACING” below on a dollar for dollar basis for up to HK\$60 million and the remaining in cash upon completion of each tranche of the Subscription CBs.

Conditions precedent to the Subscription Agreement

Completion of the issue and subscription of the Committed Subscription CBs is conditional upon:

- (i) the passing by the Shareholders, who are permitted to vote under the Listing Rules, of a resolution at the SGM approving the issue of the New CBs and the allotment and issue of the New CB Conversion Shares in accordance with the Listing Rules and a resolution to approve the Capital Reorganisation;
- (ii) the Capital Reorganisation becoming effective; and
- (iii) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) the listing of, and permission to deal in, the New CB Conversion Shares in respect of the Committed Subscription CBs.

As the entering into of the Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, only Independent Shareholders are to vote on the Subscription Agreement at the SGM.

LETTER FROM THE BOARD

If the conditions precedent above are not fulfilled on or before 31 December 2009 (or such later date as may be agreed between the Company and Wise Sun), the Subscription Agreement shall lapse and become null and void and the parties thereto will be released from all obligations under the Subscription Agreement, save for liabilities arising out of any antecedent breaches of the terms of the Subscription Agreement.

In addition to the fulfilment of the conditions precedent to the Subscription Agreement, completion of each tranche of the Subscription shall be conditional upon:

- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) the listing of, and permission to deal in, the New CB Conversion Shares in respect of such tranche of the Subscription;
- (ii) the Company not having received any objection from the Stock Exchange to the issue of such tranche of the Subscription;
- (iii) the issue of the relevant Placing CBs in accordance with the terms and conditions of the Placing Agreement; and
- (iv) the subscription of the Committed Subscription CBs having been completed.

If the conditions for each relevant tranche of the Subscription above are not fulfilled within 14 days from the date of the confirmation notice to be given by the Company confirming the issue of all or any part of that tranche, then the obligations of respective parties in respect of the issue of that tranche of the Subscription shall lapse.

The Company will issue an announcement in respect of the completion of each tranche of the Placing and the Subscription, if and when it takes place.

PRINCIPAL TERMS OF THE NEW CBs

The principal terms of the New CBs are summarised as below:

Principal amount	:	Up to HK\$320 million, comprising the Placing CBs of up to HK\$200 million and the Subscription CBs of up to HK\$120 million.
Maturity date	:	The second anniversary from the date of issue of the Committed Subscription CBs.
Interest	:	The New CBs will bear interest on the outstanding principal amount thereof from the date of issue at a rate equal to 0.5% per annum.

LETTER FROM THE BOARD

Conversion rights : Holders of the New CBs will have the right, at any time during the period commencing on and excluding the date of first issue of the New CBs up to and including the date which is seven days prior to the Maturity Date, to convert the whole or part of the principal amount of the New CBs (in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion unless the amount of the outstanding New CBs is less than HK\$1,000,000 in which case the whole (but not part only) of that amount shall be convertible) into New CB Conversion Shares at the Conversion Price (subject to the adjustments).

Holders of the New CBs intending to convert are required to provide written confirmation to the Company, among other things, (i) that it will comply with the Takeovers Code in respect of any acquisition of voting rights in the Company upon the issue to it of the New CB Conversion Shares; and (ii) on the total number of the Shares the relevant holders of the New CBs and its associate(s) (as defined in the Listing Rules) will beneficially hold immediately after the issue of the New CB Conversion Shares.

The Company shall not be obligated to issue any New CB Conversion Shares if such conversion shall render the Shares held in public hands being less than the minimum public float required under the Listing Rules.

Conversion Price : The initial Conversion Price will be HK\$0.04 per New CB Conversion Share, subject to customary adjustment provisions in accordance with the terms of the New CBs for such events as the subdivision or consolidation of Shares, bonus issues, rights issues, dividend payments and distributions and other usual dilutive events.

Voting : Holders of the New CBs will not be entitled to attend or vote at any meetings of the Company by reason only of them being the holders of the New CBs.

Transferability : The New CBs may be transferred by the bondholders to any person except that prior written consent of the Company is required for any assignment or transfer to a connected person of the Company. Any transfer of the New CBs may be in respect of the whole or part of the principal amount of the New CBs (which should be in at least HK\$1,000,000 or in the integral multiples thereof.)

LETTER FROM THE BOARD

- Redemption : The Company or any of its subsidiaries may at any time and from time to time repurchase the New CBs at any prices as may be agreed between the Company or its subsidiaries and the relevant bondholders. The outstanding principal amount of the New CBs shall, unless previously converted or repurchased, be repaid at the redemption amount which is 100% of the outstanding principal amount of the New CBs to the bondholders on the maturity date.
- Listing : No application will be made for the listing of the New CBs on the Stock Exchange or any other exchange. The Company will apply to the Stock Exchange for the listing of and permission to deal in the New CBs Conversion Shares.

The initial Conversion Price of HK\$0.04 per New CB Conversion Share represents:

- (i) a discount of 2.44% to the closing price of the Existing Shares of HK\$0.041 as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of 6.54% to the average closing price of approximately HK\$0.0428 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of 1.48% to the average closing price of approximately HK\$0.0406 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of 74.03% to the closing price of the Existing Shares of HK\$0.154 as quoted on the Stock Exchange on the Latest Practicable Date.

The initial Conversion Price was determined after arm's length negotiations between the Company, the Placing Agent and Wise Sun with reference to the prevailing market price of the Existing Shares prevailing at the date on which the Placing Agreement and the Subscription Agreement were entered into by the parties thereto, and with reference to the financial condition of the Company at that time which was disclosed in the Joint Announcement.

LETTER FROM THE BOARD

Set out below is a table showing the number of New CB Conversion Shares that fall to be issued (assuming the New CBs at the maximum principal amount of HK\$320 million were issued and fully converted at the Conversion Price of HK\$0.04 per New CB Conversion Share) under each of the Subscription CBs, the Placing CBs and the New CBs, and the percentages such New CB Conversion Shares represent of (i) the issued share capital of the Company as at the Latest Practicable Date comprising 1,764,114,340 Existing Shares; (ii) the issued share capital of the Company as enlarged by the allotment and issue of such New CB Conversion Shares; and (iii) the issued share capital of the Company as enlarged by the allotment and issue of the Existing CB Conversion Shares at the prevailing conversion price, the Existing Shares following the exercise of all the outstanding 24,236,560 Options and such New CB Conversion Shares:

	Assuming the maximum principal amount of HK\$320 million of the New CBs are issued and are converted in full at the initial Conversion Price		
	In respect of the conversion of the Subscription CBs	In respect of the conversion of the Placing CBs	Total (or in respect of the conversion of the New CBs)
Number of the New CB Conversion Shares to be issued	3,000,000,000	5,000,000,000	8,000,000,000
The New CB Conversion Shares as a percentage of the issued share capital of the Company as at the Latest Practicable Date	170.06%	283.43%	453.49%
The New CB Conversion Shares as a percentage of the issued share capital of the Company as enlarged by the allotment and issue of such New CB Conversion Shares	62.97%	73.92%	81.93%
The New CB Conversion Shares as a percentage of the issued share capital of the Company as enlarged by the allotment and issue of the Existing CB Conversion Shares at the prevailing conversion price, the Existing Shares following the exercise of all the outstanding Options and such New CB Conversion Shares	61.77%	72.92%	81.16%

The New CB Conversion Shares will be issued under the specific mandate proposed to be sought from the Independent Shareholders by way of poll at the SGM. The New CB Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of conversion.

LETTER FROM THE BOARD

In accordance with the terms and conditions of the Existing CB, the issue of the Placing CBs and the Subscription CBs will not result in the prevailing conversion price of the Existing CB being adjusted.

REASONS FOR THE SUBSCRIPTION AND THE PLACING

As mentioned in the paragraph headed “FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS” below, the Company announced on 24 March 2009 a proposed open offer to raise not less than approximately HK\$55.13 million but not more than approximately HK\$64.95 million, which was not approved by the Shareholders at the special general meeting of the Company held on 18 May 2009. Please refer to the announcement of the Company dated 18 May 2009 for further details.

As the open offer proposed by the Company did not proceed and certain payment and short term loan obligations of the Group are due for repayment, Wise Sun has provided a short term loan facility of HK\$60 million to the Group on 16 June 2009 which bears interest at 5% per annum and does not involve any security over the assets of the Company. The short term loan facility is available for drawdown in a three-month period from 16 June 2009 and is repayable within six months after the first drawdown if not repaid earlier at the election of the Company. The Directors consider that the short term loan facility provided by Wise Sun to be on normal commercial terms. As disclosed above, the repayment obligation of the Company under the loan facility will be set off as to HK\$30 million against the subscription monies payable by Wise Sun for the Committed Subscription CBs and as to a further HK\$30 million against the subscription monies for a further HK\$30 million tranche of the Subscription CBs if the Placing Agent successfully places at least HK\$100 million of the Placing CBs. In the event that the Placing Agent could not successfully place more than HK\$100 million of the Placing CBs upon the expiry of the Placing Period, the Company and Wise Sun would further negotiate the repayment terms of the remaining balance of the short term loan facility of HK\$30 million (and any accrued interest thereon).

In view of there being some sign of recovery in the global economic environment and the high gearing ratio and level of indebtedness of the Group and the fact that certain Group's debt obligations may become repayable on demand by the relevant lenders in accordance with the terms of the relevant loan agreements (as disclosed in the Company's open offer circular dated 24 April 2009 and the Joint Announcement), the Directors considered it desirable to continue to raise fund through the issuance of the New CBs which can strengthen the financial position of the Group. The Subscription will effectively convert some or (if aggregate principal amount of at least HK\$100 million of the Placing CBs are successfully placed by the Placing Agent) all of the Company's debt obligation under the short term loan facility currently provided by Wise Sun with a later maturity date and at a lower interest rate. The Placing and part of the Subscription will provide the Company with additional funding for its future business operations. The Placing and the Subscription are also beneficial to the Group as there is no immediate dilution to the shareholding of the existing Shareholders and, if the conversion rights attaching to the New CBs are exercised, the capital base of the Company will be enlarged.

The Company has taken advantage of recent increases in the trading price of the Existing Shares after the issue of the Joint Announcement to place successfully 294,000,000 new Existing Shares on 8 July 2009, raising net proceeds of approximately HK\$41.3 million. Whilst the proceeds of such issue have increased liquidity for the Company, the Directors nevertheless consider it appropriate to continue to pursue the proposals for the Placing and the Subscription to which it has committed, to raise further funding for the Company.

LETTER FROM THE BOARD

The Directors noted that the initial conversion price of the New CBs, which at the time of the signing of the Placing Agreement and the Subscription Agreement, represented only a small discount to the then prevailing market price per share, now represents approximately 74.03% discount to the closing price per Existing Share as at the Latest Practicable Date. The Directors also noted the potential dilutive effect to the Shareholders if all of the New CBs are to be issued and fully converted. Having regard to the above and also the relatively weak financial position of the Group (including its continued need to service and repay its debt obligations) and uncertainties as to the sustainability of the current market price of the Existing Shares, the Directors considered that it would be in the interest of the Company to pursue the Placing and the Subscription.

Pursuant to the Placing Agreement, the Placing Period commences from the date of fulfilment of the conditions precedent to the Placing Agreement to (and including) the date which is six months thereafter. Taking into account the size of the Placing and the historical financial performance of the Company, the Directors consider that the Placing Period is appropriate.

Based on the current 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 million for funding existing businesses including costs of the next pageant event and acquiring multi-media entertainment contents for its entertainment media business, as to approximately HK\$66 million for general working capital (to cover administrative expenses, daily operation costs and professional fees), and as to approximately HK\$145 million for opportunistic investments if suitable opportunities to do so arise in the future. As the Company is currently subject to the Offers (further particulars of which are set out in the Document) and Wise Sun has clearly stated in the Document that 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 to take effect from the Business Day immediately following the date of despatch of the Document, the Board considers that it is in the interests of the Company for a detailed review of the Group's operations and prospects to be undertaken after the close of the Offers before funds are earmarked for other specific purposes. In addition, investors should note that the Placing is on a "best-efforts" basis and there is no certainty as to the amount of funds that will in fact be raised or the timing of the availability of such funding.

The Directors (other than the independent non-executive Directors whose view in respect of the Subscription is set out in Letter from the Independent Board Committee) consider that the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement and the Placing Agreement are fair and reasonable.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below and the proposed Placing and Subscription, the Group has not carried out any equity securities fund raising exercise during the past 12 months immediately preceding the date of the Joint Announcement.

LETTER FROM THE BOARD

On 24 March 2009, the Company announced a proposed open offer to raise not less than approximately HK\$55.13 million but not more than approximately HK\$64.95 million for the purpose of repayment of loans which were drawn for the daily operation of the Group's business. The open offer was subject to the approval of the Shareholders at the special general meeting of the Company. At the special general meeting of the Company held on 18 May 2009, the relevant resolution to approve the open offer was not passed. Details of the proposed open offer are set out in the announcement and circular of the Company dated 24 March 2009 and 24 April 2009 respectively and the poll results of the special general meeting of the Company held for such purpose are set out in the announcement of the Company dated 18 May 2009.

The Company entered into a supplemental agreement with Violet Profit Holdings Limited, an Independent Third Party without any shareholding in the Company, on 26 September 2008 to extend the maturity date of the Existing CB from 12 September 2008 to 12 March 2010. The extension of the maturity date of the Existing CB did not raise new capital or proceeds. Details in respect of the above are set out in the announcement of Company dated 26 September 2008.

On 25 June 2009, the Company announced that it had entered into a placing agreement with the Placing Agent in respect of the Share Placing of up to 294,000,000 Existing Shares at a placing price of HK\$0.1441 per Existing Share. As mentioned in the paragraph headed "REASONS FOR THE SUBSCRIPTION AND THE PLACING" above and the Company's announcement dated 8 July 2009, the Share Placing completed on 8 July 2009, and the Company has on 9 July 2009 applied approximately HK\$10.8 million out of the net proceeds of approximately HK\$41.3 million in full and final settlement of the Group's payment obligations under the deed of settlement in respect of certain annual fees payable in relation to a pageant hosting agreement dated 7 March 2008. Approximately HK\$18.5 million will be applied for the repayment of loans and associated debt servicing costs of the Group and HK\$12 million will be applied for working capital and for opportunistic investments if suitable opportunities to do so arise in the future.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon the exercise in full of the outstanding Options and the conversion in full of the rights attached to the Existing CB; and (iii) assuming the maximum principal amount of the New CBs are issued and upon the exercise in full of the outstanding Options and the conversion in full of the rights attached to the Existing CB at the prevailing conversion price and the New CBs at the initial Conversion Price:

	As at the Latest Practicable Date		Assuming the exercise in full of the outstanding Options and the conversion in full of rights attached to the Existing CB (Note 2)		Assuming the exercise in full of the outstanding Options and the conversion in full of the rights attached to the Existing CB and the New CBs (Note 2)	
	Shares	%	Shares	%	Shares	%
Controlling Shareholder:						
Wise Sun	560,395,180	31.77	560,395,180	30.18	3,560,395,180	36.12
Directors:						
Mr. Matsuda (Note 3)	80,570,000	4.57	101,645,270	5.47	101,645,270	1.03
Mr. Leung (Note 4)	1,730,000	0.10	4,891,290	0.26	4,891,290	0.05
Public Shareholders:						
Holder of Existing CB (Note 5)	-	-	68,571,428	3.69	68,571,428	0.70
Placing CB Subscribers	-	-	-	-	5,000,000,000	50.73
Other Public Shareholders	1,121,419,160	63.56	1,121,419,160	60.40	1,121,419,160	11.37
Total	1,764,114,340	100.00	1,856,922,328	100.00	9,856,922,328	100.00

Notes:

- The shareholding table above has not taken into account the results of the Offers to be made by Wise Sun.
- Assuming (i) the Existing CB is converted at the prevailing conversion price of HK\$0.105 per Share; (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; and (iii) the New CBs are converted at the initial Conversion Price of HK\$0.04 per 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.
- Mr. Leung is also interested in the Options conferring rights for him to subscribe for 3,161,290 Shares.
- 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 about the Existing CB are set out in the announcements of Company dated 15 February 2007 and 26 September 2008.

LETTER FROM THE BOARD

THE CAPITAL REORGANISATION

The Board proposes to put forward for approval by the Shareholders the proposal for Capital Reorganisation which involves:

- (i) the cancellation of the authorised but unissued convertible preference share capital of HK\$20,000,000 divided into 2,000,000,000 convertible preference shares of HK\$0.01 each;
- (ii) the Capital Reduction involving the reduction of the paid-up nominal value of each issued Existing Share from HK\$0.10 to HK\$0.01 by cancelling HK\$0.09 of the paid-up nominal value on each Existing Share;
- (iii) the subdivision of each authorised but unissued Existing Share of HK\$0.10 each into 10 New Shares of HK\$0.01 each;
- (iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company;
- (v) the cancellation of all amounts standing to the credit of the share premium account of the Company as at the date of the resolution to approve the Capital Reorganisation and the transfer of the credit arising therefrom to the contributed surplus account of the Company;
- (vi) the authorisation to the Directors to apply the entire amount standing to the credit of the contributed surplus account immediately after (ii), (iv) and (v) above in such manner as they consider appropriate, including but not limited to reducing and from time to time setting off the accumulated losses of the Company; and
- (vii) the increase in the authorised share capital of the Company to HK\$750,000,000 divided into 75,000,000,000 New Shares of HK\$0.01 each by the creation of 2,000,000,000 additional New Shares.

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$750,000,000 comprising 7,300,000,000 Existing Shares of HK\$0.10 each and 2,000,000,000 convertible preference shares of HK\$0.01 each, of which 1,764,114,340 Existing Shares have been issued and fully paid. Assuming that no further Existing Shares are issued or repurchased between the Latest Practicable Date and the date of the SGM, immediately after the Capital Reorganisation, 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, of which 1,764,114,340 New Shares will be in issue.

Based on 1,764,114,340 Existing Shares in issue as at the Latest Practicable Date and the entire amount standing to the credit of the share premium account of the Company as at 31 December 2008, credit in the aggregate amount of HK\$158,770,290.60 and HK\$50,008,000 respectively will arise as a result of the Capital Reduction and the proposed cancellation of all the amount standing to the credit of the share premium account of the Company. Such amounts will be transferred to the contributed surplus account of the Company and applied to offset against the accumulated losses of the Company as permitted by the laws of Bermuda and the Bye-Laws.

LETTER FROM THE BOARD

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (i) the passing by the Shareholders of the necessary resolution(s) at the SGM to approve the Capital Reorganisation;
- (ii) compliance with the relevant legal procedures and requirements under the Listing Rules and the Companies Act to effect the Capital Reorganisation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares in issue upon the Capital Reorganisation becoming effective and to be issued upon exercise of the rights attaching to the Existing CB and the Options.

Expected effective date of the Capital Reorganisation

Subject to the above conditions being fulfilled, the Capital Reorganisation is expected to become effective on the business day immediately after the date of passing of the relevant resolution(s) approving the Capital Reorganisation at the SGM.

Effects of the Capital Reorganisation

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders as a whole. The Directors believe that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group and that on the date the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Based on the annual report of the Company, the accumulated losses of the Company as at 31 December 2008 were approximately HK\$162.3 million.

Reasons for the Capital Reorganisation

The Board believes that the Capital Reorganisation is beneficial to the Company and the Shareholders as a whole. The Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility for the issue of New Shares in the future since the Company is not permitted to issue new shares below their nominal value under the laws of Bermuda and the Bye-Laws, and the elimination of the accumulated losses of the Company will allow greater flexibility for the Company to pay dividends in the future.

LETTER FROM THE BOARD

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares in issue after the Capital Reorganisation becoming effective and to be issued upon exercise of the rights attaching to the Existing CB and the Options.

The New Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of the dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Share certificates

The certificates for the Existing Shares will continue to be valid for trading and settlement as well as good evidence of legal title of the New Shares after the Capital Reorganisation has become effective. There will not be any arrangement for the exchange of certificates for the Existing Shares into certificates for the New Shares.

INFORMATION ON THE GROUP

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

The Joint Announcement stated that (i) 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, which is in turn beneficially owned as to 50% each by Mr. Suen and Mr. Zhou; (ii) the principal activity of Wise Sun is investment holding and the principal assets held by Wise Sun are the Sale Shares acquired from Quants; and (iii) Mr. Suen and Mr. Zhou are the only directors of Wise Sun.

The Joint Announcement also stated that save for Wise Sun's interest in the issued share capital of the Company, Wise Sun and its beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As Wise Sun was the controlling Shareholder as at the Latest Practicable Date and therefore a connected person of the Company, the entering into of the Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which requires the approval of the Independent Shareholders at the SGM. In addition, as the subscription by Wise Sun of up to HK\$90 million in principal amount of the Subscription CBs is dependent on the amount of Placing CBs to be placed by the Placing Agent, Wise Sun has a material interest in the Placing Agreement and therefore will abstain from voting on the Placing Agreement at the SGM.

The SGM will be convened to approve, among other things, the Capital Reorganisation, the Subscription Agreement, the Placing Agreement and the transactions contemplated thereunder, including the issue of the New CBs and the allotment and issue of the New CB Conversion Shares. Wise Sun and its associates will abstain from voting on the resolution(s) approving the Subscription Agreement, the Placing Agreement and the issue of the New CBs at the SGM.

The independent committee of the Board comprising all the independent non-executive Directors has been established to recommend the Independent Shareholders in respect of the terms of the Subscription Agreement. INCU Corporate Finance Limited has been appointed to advise the independent committee of the Board regarding the Subscription Agreement.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Sun Innovation Holdings Limited
Michele Matsuda
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement for the purpose of incorporation in this circular.



SUN INNOVATION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

20 July 2009

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF THE SUBSCRIPTION CBs

We refer to the circular of the Company dated 20 July 2009 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned. INCU Corporate Finance Limited has been appointed as the independent financial adviser to advise us and you in this respect.

Having taken into account the principal reasons and factors considered by and the advice of INCU Corporate Finance Limited as set out in its letter of advice to us and you on pages 24 to 43 of the Circular, we are of the opinion that the Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement is fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Zhou Ji, Jason

Chen Tien-yiu, Theodore

Wong Tak Shing

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, which has been prepared for the purpose of inclusion in the Circular.



INCU Corporate Finance Limited

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

20 July 2009

*To the Independent Board Committee and the Independent Shareholders of
Sun Innovation Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF CONVERTIBLE BONDS BY WISE SUN HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, details of which are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular dated 20 July 2009 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 17 June 2009, Wise Sun and the Company jointly announced that on 17 June 2009, the Company and Wise Sun entered into the Subscription Agreement, pursuant to which the Company agreed to issue and Wise Sun agreed to subscribe for the Subscription CBs in the principal amount of up to HK\$120 million. On the same date, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to procure, on a “best efforts” basis, subscribers to subscribe for the Placing CBs in the principal amount of up to HK\$200 million within the Placing Period of six months from the date of fulfilment of all conditions precedent to the Placing Agreement. Pursuant to the Placing Agreement, the Placing CBs will be placed by the Placing Agent in up to 4 separate tranches of HK\$50 million each or an integral multiple thereof.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Wise Sun was interested in 560,395,180 Existing Shares, approximately 31.77% of the issued share capital of the Company. As Wise Sun is the controlling Shareholder and hence the entering into the Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which requires the approval of the Independent Shareholders at the SGM.

The Independent Board Committee (comprising all the independent non-executive Directors, namely Mr. Zhou Ji, Jason, Professor Chen Tien-yiu, Theodore and Mr. Wong Tak Shing) has been formed to advise the Independent Shareholders as to (i) whether the terms of the Subscription Agreement are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole; and (ii) how Independent Shareholders should vote in respect of the resolution to approve the Subscription Agreement. Our appointment as the independent financial adviser 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 Circular and provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, opinions and representations contained or referred to in the Circular were true and accurate at the time when they were made and continued to be true and accurate as at the date of the SGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular 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.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and 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 Circular, including this letter, 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 Circular to provide a reasonable basis for our opinions and recommendations. 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical financial performance of the Group

(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.

Reasons and use of proceeds

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.

As set out in the Board Letter, on 24 March 2009, the Company announced a proposed open offer to raise not less than approximately HK\$55.13 million but not more than approximately HK\$64.95 million for the purpose of the Group’s working capital and repayment of loans which were drawn for the daily operation of the Group’s business. The aforesaid open offer was subject to the approval of the Shareholders at the special general meeting of the Company. At the special general meeting of the Company held on 18 May 2009, the relevant resolution to approve the open offer was not passed. For details, please refer to the announcements of the Company dated 24 March 2009 and 18 May 2009.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the aforesaid open offer proposed by the Company did not proceed and certain payment and short term loan obligations of the Group are due for repayment as mentioned under paragraph headed “REASONS FOR THE SUBSCRIPTION AND THE PLACING” in the Board Letter, Wise Sun has provided a short term loan facility of HK\$60 million (the “**Wise Sun Loan**”) to the Group on 16 June 2009 which bears interest at 5% per annum and does not involve any security over the assets of the Company. The short term loan facility is available for drawdown in a three-month period from 16 June 2009 and is repayable within six months after the first drawdown if not repaid earlier at the election of the Company. As advised by the Company, as at the Latest Practicable Date, a total of HK\$43.6 million has been drawn for the repayment of loan and related accrued interests. The Directors consider that the short term loan facility provided by Wise Sun to be on normal commercial terms. The repayment obligation of the Company under the loan facility will be set-off as to HK\$30 million against the subscription monies payable by Wise Sun for the Committed Subscription CBs and as to a further HK\$30 million against the subscription monies for a further HK\$30 million tranche of the Subscription CBs if the Placing Agent successfully places at least HK\$100 million of the Placing CBs. In the event that the Placing Agent could not successfully place more than HK\$100 million of the Placing CBs upon the expiry of the Placing Period, the Company and Wise Sun would further negotiate the repayment terms of the remaining balance of the short term loan facility of HK\$30 million (and any accrued interest thereon).

Also set out in the Board Letter, in view of there being some sign of recovery in the global economic environment and the high gearing ratio and level of indebtedness of the Group and the fact that certain Group’s debt obligations may become repayable on demand by the relevant lenders in accordance with the terms of the relevant loan agreements (as disclosed in the Company’s open offer circular dated 24 April 2009 and the Joint Announcement), the Directors considered that it desirable to continue to raise fund through the issuance of the New CBs which can strengthen the financial position of the Group. The Subscription will effectively convert some or (if aggregate principal amount of at least HK\$100 million of the Placing CBs are successfully placed by the Placing Agent) all of the Company’s debt obligation under the short term loan facility currently provided by Wise Sun with a later maturity date and at a lower interest rate. The Placing and part of the Subscription will provide the Company with additional funding for its future business operations. The Placing and the Subscription are also beneficial to the Group as there is no immediate dilution to the shareholding of the existing Shareholders and, if the conversion rights attaching to the New CBs are exercised, the capital base of the Company will be enlarged.

As stated in the Board Letter, the Company has taken advantage of recent increases in the trading price of the Existing Shares after the issue of the Joint Announcement to place successfully 294,000,000 new Existing Shares on 8 July 2009, raising net proceeds of approximately HK\$41.3 million. Whilst the proceeds of such issue have increased liquidity for the Company, the Directors nevertheless consider it appropriate to continue to pursue the proposals for the Placing and the Subscription to which it has committed, to raise further funding for the Company. For details of the placing of new Existing Shares, please refer to the announcements of the Company dated 25 June 2009 (the “Share Placing Announcement”) and 8 July 2009.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Board Letter, 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 interests 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 entertainment 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.

As the Company is currently subject to the Offers (further particulars of which are set out in the Document) and Wise Sun has clearly stated in the Document that 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 to take effect from the Business Day immediately following the date of despatch of the Document, the Board considers it is in the interests of the Company for a detailed review of the Group's operations and projects to be undertaken after the close of the Offers before funds are earmarked for specific purposes. As advised by the Director and senior management of the Company, no specific investment opportunities are identified as at the Latest Practicable Date.

Investors should note that the Placing is on a "best-efforts" basis and there is no certainty as to the amount of funds (if any) that will in fact be raised or the timing of the availability of such funding.

The Directors (other than the independent non-executive Directors whose view in respect of the Subscription is set out in the letter from Independent Board Committee) consider that the Placing and Subscription are in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement and the Placing Agreement are fair and reasonable.

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, that the turnover from the business segments of entertainment media and the 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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2008, the Group has current assets of approximately HK\$28.25 million, (of which bank balances and cash amounted to approximately HK\$9.00 million) and the current liabilities of approximately HK\$80.05 million (of which bank and other borrowings amounted to approximately HK\$48.76 million), the Group is in a net current liabilities position. 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.

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.

Having considered (i) the persistent losses recorded by the Group and the Uncertainty Opinion; (ii) the net current liabilities position of the Group as at 31 December 2008; (iii) the operating environment of the Group has turned unfavourable as a result of the global financial crisis; (iv) the shrinking of the turnover in major business segments; and (v) the Placing is on a “best-efforts” basis and there is no certainty as to the amount of funds (if any) that will in fact be raised or the timing of the availability of such funding, (vi) the New CBs will strengthen the financial position of the Group and improved gearing of the Company as elaborated below, and (vii) the Subscription provides a lower interest rate and a later maturity date than the Wise Sun Loan and hence loosen the current financial position of the Company, we consider the Subscription is in the interests of the Company and the Independent Shareholders as a whole.

Based on the expected use of proceeds from the issue of the New CBs as stated above, the Company still have immediate funding requirement for operating its business (including the costs of the next pageant event and acquiring multi-media entertainment contents for its entertainment media business) and for investing in future investment opportunities, we considered that it is beneficial for the Company to take advantage of the current market position to raise fund by way of New CBs for the following reasons:

- (i) part of the proceeds will be reserved for opportunistic investments in the future, therefore the Group will have the flexibility in making investment decision in future with the readily available financial resource;
- (ii) although the amount of investment in any new or existing investment/projects to be taken by the Company is currently uncertain, with the more resources on hand, the Group will be able to have more flexibility to take up projects which are relatively sizable as compared with the market capitalization the Company which may be beneficial to the Company as a whole, and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) in view of the current high debt position of the Company and the continued need to service and repay its debt obligation, it takes time for the Company to find sources of funding, and the timing of the available sources is also uncertain the Company may inevitably miss certain prospective investments opportunities which decision should be made on timely basis;

therefore we consider that it is justifiable for the Company to raise fund for future investment though no specific investment opportunities are identified.

The Subscription arrangement

Pursuant to the Subscription Agreement, the Company agreed to issue and Wise Sun agreed to subscribe for the Subscription CBs in a principal amount of up to HK\$120 million. The Subscription CBs to be subscribed by Wise Sun will be issued in the following manner:

1. the Committed Subscription CBs (in the principal amount of HK\$30 million) will be subscribed by Wise Sun on the second Business Day following the conditions precedent to the Subscription Agreement as referred to below having been fulfilled; and
2. the remaining balance of HK\$90 million of the principal amount of the Subscription CBs will be subscribed by Wise Sun with reference to such principal amount of the Placing CBs that would be successfully placed by the Placing Agent (other than the first HK\$50 million of principal amount of the Placing CBs) on a pro rata basis, whereby Wise Sun will subscribe for HK\$30 million of the Subscription CBs for every HK\$50 million of the remaining tranches of the Placing CBs to be placed by the Placing Agent (the “**Pro rata Subscription**”).

The aggregate maximum amount of subscription monies of HK\$120 million payable by Wise Sun in respect of the Subscription CBs will be satisfied by setting off against any outstanding balance of the loan facility provided by Wise Sun to the Company on a dollar-for-dollar basis for up to HK\$60 million and the remaining in cash upon completion of each tranche of the Subscription CBs.

We are of the view that the setting off of the subscription monies against any outstanding balance of the loan facility provided by Wise Sun to the Company represents a replacement of the Wise Sun Loan by the Subscription CBs which has more favorable repayment term and interest rate. As such, we consider the setting off of the subscription monies against any outstanding balance of the loan facility provided by Wise Sun to the Company is in the interest of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Principal terms of the New CBs

Conversion Price

The initial Conversion Price will be HK\$0.04 per New CB Conversion Share, subject to customary adjustment provisions in accordance with the terms of the New CBs for such events as the subdivision or consolidation of Shares, bonus issues, rights issues, dividend payments and distributions and other usual dilutive events.

The initial Conversion Price of HK\$0.04 per New CB Conversion Share represents:

1. a discount of 2.44% to the closing price of the Existing Shares of HK\$0.041 as quoted on the Stock Exchange on the Last Trading Day;
2. a discount of 6.54% to the average closing price of the Existing Shares of approximately HK\$0.0428 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
3. a discount of 1.48% to the average closing price of the Existing Shares of approximately HK\$0.0406 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
4. a discount of 74.03% to the closing price of the Existing Shares of HK\$0.154 as quoted on the Stock Exchange on the Latest Practicable Date.

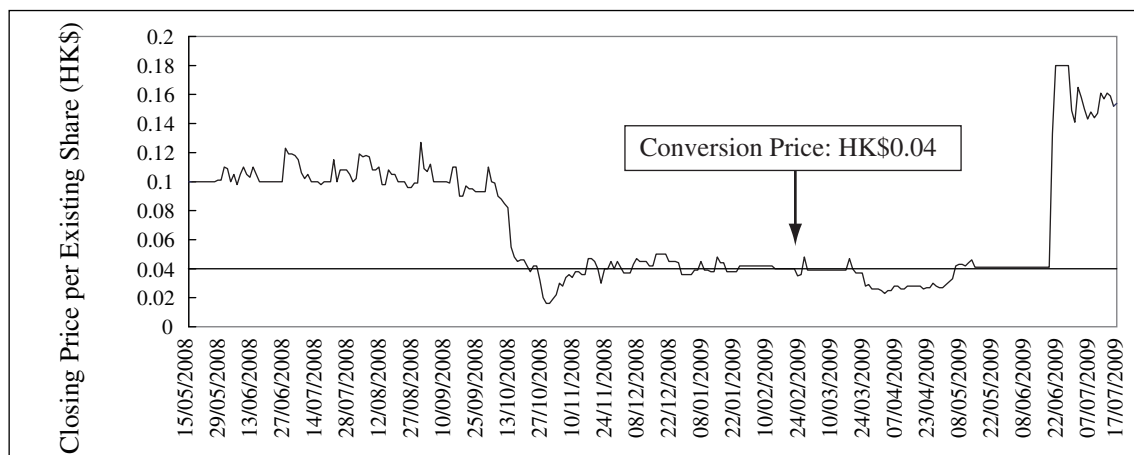
As set out in the Board Letter, the initial Conversion Price was determined after arm's length negotiations between the Company, the Placing Agent and Wise Sun with reference to the market price of the Existing Shares prevailing at the date on which the Placing Agreement and the Subscription Agreement were entered into by the parties thereto, and with reference to the financial condition of the Company at that time which was disclosed in the Joint Announcement.

As stated in the Board Letter, the Directors noted that the initial conversion price of the New CBs, which at the time of the signing of the Placing Agreement and the Subscription Agreement, represented only a small discount to the then prevailing market price per Existing Share, now represents approximately 74.03% discount to the closing price per Existing Share as at the Latest Practicable Date. The Directors also noted the potential dilutive effect to the Shareholders if all of the New CBs were to be issued and fully converted. Having regard to the above and also the relatively weak financial position of the Group (including its continued need to service and repay its debt obligations) and uncertainties as to the sustainability of the current market price of the Existing Shares, the Directors considered that it would be in the interest of the Company to pursue the Placing and the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical Share price performance and liquidity

The graph below illustrates the closing price levels 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)

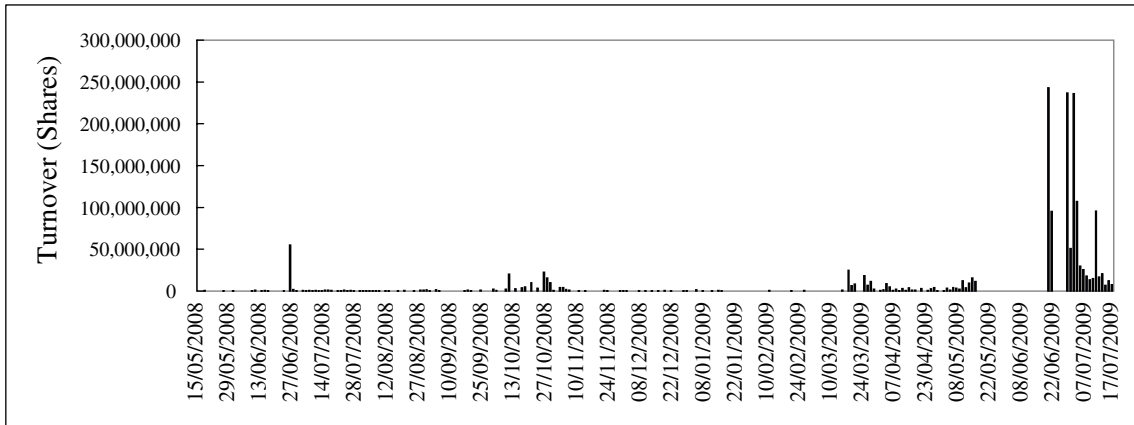
During the Review Period, the closing price of the Existing Shares recorded lowest closing price of HK\$0.016 per Existing Share (recorded on 28 and 29 October 2008) and highest closing price of HK\$0.18 per Existing Share (recorded on 19 June 2009 before suspension at 11:05 a.m.). As can be seen from 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 has been again suspended from 11:05 a.m. 19 June 2009 to 25 June 2009 pending the release of the Share Placing Announcement. The share prices of the Existing Shares since the release of the Share Placing Announcement have fluctuated between HK\$0.135 and HK\$0.195 until the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have confirmed with the Directors, and are of the view that save for the Joint Announcement and the Share Placing Announcement, there had been no other public announcements made by the Company that were price sensitive in nature after release of the Joint Announcement and thus, we believe that such 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, may likely due to the premium of approximately 95.12% represented by the offer price for the Existing Shares of HK\$0.08 under the share offers over the closing price 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 (as defined in the Joint Announcement). The initial Conversion Price of HK\$0.04 per Existing Share represents a discount of approximately 42.86% to the average closing price of approximately HK\$0.070 per Existing Share during the Review Period.

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.



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	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
<i>Average during the Review Period and before the Last Trading Date</i>	<i>1,632,932</i>	<i>0.09</i>	<i>0.15</i>
June	172,457,812	9.78	15.38
July (up to and including the Latest Practicable Date)	30,673,166	0.26	2.74
<i>Average during the Review Period and after the Last Trading Date</i>	<i>72,374,533</i>	<i>4.11</i>	<i>6.45</i>

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 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 0.60% 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note the initial Conversion Price represents a deep discount as compared to the closing prices of the Existing Shares since the release of the Joint Announcement (which fluctuated between HK\$0.135 and HK\$0.195 until the Latest Practicable Date), however having considered that:

- (i) the initial Conversion Price was determined after arm's length negotiations between the Company, the Placing Agent and Wise Sun with reference to the prevailing market price before the Joint Announcement, and represents a small discount only;
- (ii) the persistent loss of the Company during the past 10 years and the uncertain prospect of the Company under the time of global financial crisis;
- (iii) the financing, trading and business prospects of the Company is uncertain and there are no guarantee that the introduction of new management as a result of the change in control will improve the overall business, operating performance and financial position of the Group in a foreseeable future notwithstanding that new management being introduced have extension experience in the asset management and investment field;
- (iv) the heavy indebtedness of the Group as at 31 December 2008;
- (v) the substantial size of the Subscription CBs relevant to the market capitalization of the Company and the historical low trading liquidity of the Existing Shares as elaborated above;
- (vi) under the current uncertain financial market where investors are relatively prudence in making investment decision;
- (vii) Wise Sun was the substantial shareholder and has committed to inject capital, by means of Subscription CBs, which provides fund to the Company to identify suitable and appropriate investment and project with prospects which will be benefit to the Company and the Shareholders as a whole;
- (viii) the surge in the share price after the Joint Announcement, to a large extent, may likely due to the market speculation on the change in control of the Company as a result of the S&P Agreement (as defined in the Joint Announcement); and
- (ix) in view of the recent unstable conditions in the Hong Kong stock market, and as the share price change from time to time, there is no guarantee that the trading price of the Existing Shares will sustain at the level of closing prices the Latest Practicable Date;

we consider the deep discount of the initial Conversion Price as compared to the closing price after the Joint Announcement is justifiable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparable analysis

In order to assess the fairness and reasonableness of the terms of the New CBs, to the best of our knowledge, we have looked into recent issues of convertible notes/bonds (the “**Comparables**”) denominated in Hong Kong dollars by companies listed on the Main Board and Growth Enterprise Market of the Stock Exchange from 17 March 2009 up to and including the date of the Subscription Agreement for reference. We believe that the Comparables may reflect the recent trend of the terms of convertible bonds/notes in the market. As the terms of the Comparables are determined under similar market conditions and sentiments as the New CB, we consider the Comparables are fair and representative samples. Set out below is a summary of the Comparables:

Company (stock code)	Date of announcement	Maximum of principal amount (HK\$ million)	Interest per annum (%)	Maturity (years)	Premium/ (Discount) of the Conversion Price over/to the last trading day prior to the date of the corresponding announcement (%)	Premium/ (Discount) of the Conversion Price over/to the average closing price of the last 5 trading days prior to the date of the corresponding announcement (%)
New City (China) Development Limited (456)	20-Mar-09	56.5	Floating rate (Note 1)	3	(88.68)	(88.68)
Temujin International Investments Limited (204)	1-Apr-09	40	12	3	(13.51)	(13.89)
Forefront Group Limited (885)	7-Apr-09	100	0	3	0	4.86
Mae Holdings Limited (851)	22-Apr-09	44.4	2	3	(12.38)	(12.38)
Beijing Enterprises Holdings Limited (392)	26-Apr-09	1,780	2.25	5 (Note 4)	22.54	28.70
Qin Jia Yuan Media Services Company Limited (2366)	28-Apr-09	100	5	5	23.02	8.92
National Investments Fund Limited (1227)	30-Apr-09	350	2	3	(13.79)	(20.63)
Genesis Energy Holdings Limited (702)	30-Apr-09	25	2	4	64.29	56.46
China Star Entertainment Limited (326)	5-May-09	350	6	5	0	48.84
iMerchants Limited (8009)	5-May-09	200	0	5	(13.04)	(6.98)
China Fortune Group Limited (290)	6-May-09	32	0	3	(44.83)	(43.86)
China Yunnan Tin Minerals Group Company Limited (263)	6-May-09	60	1	5	(16.67)	(13.58)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company (stock code)	Date of announcement	Maximum of principal amount (HK\$ million)	Interest per annum (%)	Maturity (years)	Premium/ (Discount) of the Conversion Price over/to the last trading day prior to the date of the corresponding announcement (%)	Premium/ (Discount) of the Conversion Price over/to the average closing price of the last 5 trading days prior to the date of the corresponding announcement (%)
Inno-Tech Holdings Limited (8202)	6-May-09	13.82	0	1	(1.64)	3.00
Nubrand Group Holdings Limited (835)	10-May-09	1,382.95	0	5	(9.10)	(5.60)
Get Nice Holdings Limited (64)	11-May-09	158.4	0	2	(19.35)	(16.10)
China Water Industry Group Limited (1129)	14-May-09	100	0	3	(17.65)	(4.01)
Rising Development Holdings Limited (1004)	19-May-09	744.93	0	3	9.09	(1.64)
China Timber Resources Group Limited (269)	21-May-09	470	2.15	3	(33.33)	(29.11)
Global Green Tech Group Limited (274)	22-May-09	160	8	3	(20.88)	(20.35)
Long Far Pharmaceutical Holdings Limited (2898)	25-May-09	90	3	3	(36.20)	(34.20)
SOHO China Limited (410)	27-May-09	2,800	3.75	5	20.00	20.49
				(Note 6)		
China Fortune Group Limited (290)	27-May-09	128	0	3.5	(64.84)	(63.13)
				(Note 7)		
Imagi International Holdings Limited (585)	27-May-09	132	0	2	(11.76)	(18.92)
PME Group Limited (379)	3-Jun-09	60	3	3	(50.00)	(31.55)
Paradise Entertainment Limited (1180)	4-Jun-09	13.6	12	5.5	(1.96)	(1.57)
				(Note 8)		
Pearl Oriental Innovation Limited (632)	4-Jun-09	100	Floating rate	2	(11.00)	(13.00)
			(Note 1)			
Emcom International Limited (8220)	4-Jun-09	78	Average of 2.5	2	(5.66)	(3.10)
			(Note 2)			
China Agrotech Holdings Limited (1073)	5-Jun-09	29.97	3	2	9.76	11.66
Interchina Holdings Company Limited (202)	9-Jun-09	35	5	2	72.4	103.3

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company (stock code)	Date of announcement	Maximum of principal amount (HK\$ million)	Interest per annum (%)	Maturity (years)	Premium/ (Discount) of the Conversion Price over/to the last trading day prior to the date of the corresponding announcement (%)	Premium/ (Discount) of the Conversion Price over/to the average closing price of the last 5 trading days prior to the date of the corresponding announcement (%)
Inno-Tech Holdings Limited (8202)	10-Jun-09	75	0	2	26.6	41.98
Willie International Holdings Limited (273)	11-Jun-09	180	2	3	0	(0.71)
China Properties Investment Holdings Limited (736)	11-Jun-09	260	3	3	41.84	38.89
EPRO Limited (8086)	12-Jun-09	25	0	2	10	19.09
Sinolink Worldwide Holdings Limited (1168)	15-Jun-09	500	0	3	2.8	0.92
China Financial Leasing Group Limited (2312)	15-Jun-09	41.25	2	3	(86.45)	(86.33)
Golden Harvest Entertainment (Holdings) Limited (1132)	15-Jun-09	54.1	0	6.5 (Note 9)	12.67	11.99
Maximum			12.0	6.5	72.40	103.30
Minimum			0	1	(88.68)	(88.68)
Mean			2.55	3.32	(7.16)	(3.62)
Maximum discount					88.68	88.68
Minimum discount					1.64	0.71
Average of discount					27.27	24.06
The Company		320	0.5	2	(2.44)	(6.54)

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

Notes:

1. The interest rate is the prime rate quoted by HSBC, as for our analysis, the current rate of 5% is used.
2. The interest of this comparable is 0% for the first year and 5% for the second year, for our comparison, an average of 2.5% of the interest rates for the two years will be used for the calculation of the average interest rate of the Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. *The issue of convertible bonds of Mingyuan Medicare Development Company Limited (stock code: 0233) as announced in its announcement dated 18 March 2009 is not considered as a comparable case as the issue of convertible bond were with warrants.*
4. *The convertible notes will be due on 2 June 2014.*
5. *The convertible bond will be due on 3 August 2012.*
6. *The bond will be due on 2 July 2014.*
7. *The convertible bonds will be due on 31 December 2012.*
8. *The convertible debentures will be due on 31 December 2014.*
9. *The convertible notes will be due on 31 December 2015.*

(a) *Conversion price*

As indicated in the above table, for those Comparables which have set discount to the closing prices of their shares on the last trading days prior to the date of the corresponding announcements, the discounts ranged from approximately 1.64% to approximately 88.68% (the “**LTD Discount Range**”). The discount of approximately 2.44% represented by the conversion price of the New CBs to the closing price on the Last Trading Day falls within the LTD Discount Range and below the mean of the above-mentioned Comparables.

For those Comparables which have set discount to the five-day average closing price prior to the date of the corresponding announcements, the discount ranged from approximately 0.71% to approximately 88.68% (the “**5-Day Discount Range**”). The discount of approximately 6.54% represented by the conversion price of the New CBs to the average closing price on the last 5 trading days up to and including the Last Trading Day falls within the 5-Day Discount Range and below the mean of the above-mentioned Comparables.

As set out in the Share Placing Announcement, 294,000,000 new Existing Shares were placed at the placing price of HK\$0.1441 per Existing Share. We are aware that the placing price of HK\$0.1441 under the Share Placing represents a premium of 260.25% over the initial Conversion Price. However, having taking into account that

- (i) the closing prices of which such placing price had made reference with has surged up to the highest of HK\$0.18 after the release of the Joint Announcement, representing a premium of 339.02% over the closing price of HK\$0.041 on the Last Trading Day;
- (ii) the initial Conversion Price represented a slight discount to the closing price of the Existing Shares on the Last Trading Day;
- (iii) the respective discounts represented by the Conversion Price falls within the LTD Discount Range and the 5-Day Discount Range; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) given the substantial size of the Subscription CBs relevant to the market capitalization of the Company as at the date of the Subscription Agreement, it is inevitable to set the Conversion Price at a discount to the market prices of the Existing Shares around the date of the Subscription Agreement,

we concur with the view of the Directors that the Conversion Price is fair and reasonable so far as the interests of the Company and the Independent Shareholders are considered notwithstanding the placing price of HK\$0.1441 under the Share Placing represents a premium of 260.25% over the Conversion Price.

(b) Interest rate

The Comparables carry annual interest rates ranging from 0% to 12%. The interest rate of the New CBs of 0.5% falls within such range and below the mean of the interest rates of the Comparables of approximately 2.83%.

In view of the above and the interest rate of 0.5% per annum of the New CBs is far below the interest rate of 5% per annum of the Wise Sun Loan and thus significantly reduce the interest expense of the Group, we consider that the interest rate of the New CBs is fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned.

(c) Conversion

As set out in the Board Letter, holders of the New CBs will have the right, at any time during the period commencing on and excluding the date of first issue of the New CBs up to and including the date which is seven days prior to the Maturity Date, to convert the whole or part of the principal amount of the New CBs (in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion unless the amount of the outstanding New CBs is less than HK\$1,000,000 in which case the whole (but not part only) of that amount shall be convertible) into New CB Conversion Shares at the Conversion Price (subject to the adjustments). Holders of the New CBs intending to convert are required to provide written confirmation to the Company, among other things, (i) that it will comply with the Takeovers Code in respect of any acquisition of voting rights in the Company upon the issue to it of the New CB Conversion Shares; and (ii) on the total number of the Shares the relevant holders of the New CBs and its associate(s) (as defined in the Listing Rules) will beneficially hold immediately after the issue of the New CB Conversion Shares. The Company shall not be obligated to issue any New CB Conversion Shares if such conversion shall render the Shares held in public hands being less than the minimum public float required under the Listing Rules.

We consider that the term of the New CBs in relation to conversion is normal for debt securities of similar kind.

Having considered the above, we are of the view that the principal terms of the New CBs are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(d) Placing Period

Pursuant to the Placing Agreement, the Placing CBs will be placed by the Placing Agent in up to 4 separate tranches of HK\$50 million each or an integral multiple thereof during the Placing Period of six months from the date of fulfilment of all conditions precedent to the Placing Agreement. Taking into account the size of the Placing and the historical financial performance of the Company, the Directors considered that the Placing Period to be appropriate.

In view of the (i) Placing Period which lasts for six months from the date of the fulfilment of conditions is a commercial decision; and (ii) given the amount of fund involved is sizable and the prevailing uncertainties in the capital and financial market environment, it is justifiable to have a longer placing period.

Alternatives

We have enquired with the Company and are advised that they have considered alternative financing methods such as bank borrowings and other form of equity financing. However, since the Group has been loss making since 1999 and based on the AR 2008, it has recorded gearing ratio (calculated as the aggregate of the Group's bank and other borrowings divided by net asset value as at 31 December 2008) of approximately 178.13% as at 31 December 2008, it is unlikely the Group will be able to procure borrowings at a favourable terms and interest rate given its current financial position. As for other forms of equity financing, share placement would immediately result in a further dilution to the interest of existing Shareholders given the Share Placing was completed on 8 July 2009 while right issue/open offer take a longer time to complete. As such, the Directors believe that the Subscription enables the Group to repay the Wise Sun Loan at a later maturity date and a lower interest rate without immediate dilution effect is in the best interest of the Company and the Shareholders as a whole.

Notwithstanding that as compared to other fund raising exercise, such as open offer and right issue in which pro rata entitlement are available for the existing Shareholders, in view of the resolution in respect of the open offer were not passed by the Shareholders in the shareholder meeting on 18 May 2009 and the fact that the Company is in need of cash for repayment of loan and for future investment, we are of the view that fund raising by means of issue of New CBs is reasonable.

In view of the fact that (i) the long loss making track record and the weak financial position of the Company, it is difficult for the Company to obtain financing in favourable terms, (ii) the Company's means to raise new funds are restricted under prevailing uncertainties in the capital and financial market environment, most financial institutions has tightened credit policies; (iii) the New CBs which carries 0.5% interest represents a good opportunity for the Company to tap into the financial resources for future investment opportunities in a more cost efficient manner than financing with other bank financing; and (iv) the issue of New CBs will not have immediate dilution effect to the shareholding, we concur with the Directors that fund raising by way of the Subscription is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Possible financial effect

Net asset

Upon the issue but before conversion of the Subscriptions CBs, there will not be a material effect or improvement on the net assets position of the Group. Assuming the Subscriptions CBs are converted in full, the consolidated net assets of the Group will be increased by the aggregate principal amount of the Subscriptions CBs.

Gearing ratio

There has been substantial increase in the debt position of the Company during the year 2008. As at 31 December 2007, the total bank and other borrowings of the Company was approximately HK\$ 9.33 million and has increased substantially to approximately HK\$ 83.74 million as at 31 December 2008. Given the persistent loss of the Company, the Company is to certain extent sustaining on the loan from bank and other borrowings.

Based on the Group's bank and other borrowings and the net asset value of approximately HK\$83.74 million and HK\$47.01 million as at 31 December 2008, the Group's gearing ratio (calculated as the aggregate of the Group's bank and other borrowings divided by net asset value) was approximately 178.13% as at 31 December 2008. As a result of the increase in the net asset value of the Group immediately after the conversion of the Subscriptions CBs, the Company's gearing ratio will be reduced.

Working Capital

As the subscription monies will be set off against any outstanding balance of the loan facility provided by Wise Sun to the Company, there should not be any material impact to the cash position of the Company immediately upon completion of the Subscription.

Having considered the benefits of improving the consolidated net assets and the gearing ratio if the Subscriptions CBs are converted, we consider that the Subscriptions CBs is in the interest of the Company and the Shareholders as a whole.

Potential Dilution

Based on the shareholding structure of the Company as set out in the Board Letter, as at the Latest Practicable Date, 1,121,419,160 Existing Shares were held by the public Shareholders, representing approximately 63.56% of the issued share capital of the Company. Under the maximum dilution circumstance with full conversion of the outstanding Options, Existing CB and the New CBs (up to the principal amount of HK\$320 million), the number of Existing Shares held by the public Shareholders remains 1,121,419,160 Shares, but their percentage shareholdings in the Company will decrease to approximately 11.37% of the then enlarged issued share capital of the Company.

We considered that the return of the Shareholders could be improved as the improvement in profitability of the Company may have positive impact on the stock price and may contribute return to Shareholders by way of dividend distribution notwithstanding the dilution effect on the shareholding.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that the following:

1. financial aspect including (i) the substantial increase in the loan position of the Group during the year end 31 December 2008, and the persistent loss the Company, the Company is to a certain extent sustaining on the loan from bank and other borrowings; (ii) the net current liabilities position of the Group as at 31 December 2008; (iii) the New CBs has a later maturity date and lower interest rate (0.5% per annum) than the Wise Sun Loan (5% per annum) and hence significantly reduce the interest expense of the Group and loosen the current financial position of the Company; and (iv) the net assets and gearing ratio of the Group will be improved upon conversion of the Subscription CBs;
2. fund raised from the Placing CBs and the Subscription CBs will provide the Company with the necessary financial resources to capture future investment opportunities;
3. the return of the Company could be improved as part of the net proceeds from the Placing CBs and the Subscription CBs will be used for the repayment of loans, thereby relief the Company from the interest and other cost burdens on the Company; and part of the net proceeds will be used to finance opportunistic investment when such opportunities arise and this may provide an opportunities to improve the Company's performance;
4. the return of the Shareholders could be improved as elaborated above.

we consider that as balanced by the benefits of the issue of the Subscription CBs, the aforementioned dilution effects is acceptable to the public Shareholder.

RECOMMENDATION

Taking into consideration of the above mentioned principal factors and reasons, we consider that, on balance, the terms of the Subscription Agreement (including the terms of the Subscription CBs) are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription Agreement is in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Subscription Agreement were entered into upon normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolution to be proposed at the SGM to approve the Subscription Agreement.

Your faithfully,
For and on behalf of
INCUCorporate Finance Limited

Gina Leung
Managing Director

Thomas Lee
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information (other than information relating to Wise Sun, its ultimate beneficial owners and parties acting in concert with any of them and the terms of the Offers) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

2. 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 Director	Nature of interest	Number of Existing Shares held	Approximate percentage holding
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 Director	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.

3. 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)	170.06% (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)	170.06% (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)	170.06% (Note 1)

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
Zhou Jian	Interest of controlled corporation (<i>Note 3</i>)	560,395,180	18.77%
	Interest of controlled corporation (<i>Note 3</i>)	3,000,000,000 (<i>Note 1</i>)	170.06% (<i>Note 1</i>)
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.

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as is known to the Directors, no Director or any of their respective associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2008 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

7. INTERESTS IN CONTRACTS OF THE COMPANY

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements entered into by any member of the Group and subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

8. MATERIAL ADVERSE CHANGE

The Company on 24 March 2009 announced a proposed open offer to raise not less than approximately HK\$55.13 million but not more than approximately HK\$64.95 million, which (as disclosed in the Company's announcement dated 18 May 2009) was not approved by the Shareholders at the special general meeting of the Company held on 18 May 2009.

Trading in the Existing Shares was suspended from 18 May 2009 to 17 June 2009 (both days inclusive). 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. However, as at the Latest Practicable Date, the Company has not received any demand for redemption from the holder of the Existing CB.

Save as disclosed above, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date up to which the latest published audited financial statements of the Group were made up.

9. EXPERT

The following is the qualification of the Independent Financial Adviser, which has given its opinion or advice as contained in this circular:

Name	Qualification
INCU Corporate Finance Limited	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser did not have:

- (a) any direct or indirect interest in any assets which have since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection 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 from 20 July 2009 for a period of 14 days:

- (a) the Placing Agreement; and
- (b) the Subscription Agreement.

NOTICE OF SGM



SUN INNOVATION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 547)

NOTICE IS HEREBY GIVEN that a special general meeting (“**SGM**”) of the Company will be held at 3/F., Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong on Wednesday, 26 August 2009 at 10:00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit with or without amendments, the following as special and ordinary resolutions of the Company.

SPECIAL RESOLUTION

1. **“THAT**, conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Adjusted Shares (as defined below); and (ii) the compliance with the requirements of section 46(2) of the Companies Act 1981 of Bermuda (as amended), with effect from 9:30 a.m. on the business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) following the day on which this resolution is passed by the shareholders of the Company (the “**Shareholders**”):
 - (a) the authorised but unissued preference share capital of HK\$20,000,000 divided into 2,000,000,000 convertible preference shares of HK\$0.01 each be cancelled;
 - (b) the paid-up nominal value of each issued existing ordinary share of HK\$0.10 each (“**Shares**”) be reduced from HK\$0.10 to HK\$0.01 by cancelling HK\$0.09 of the paid-up nominal value on each issued Share (the “**Capital Reduction**”) so as to form a new issued share of HK\$0.01 each;
 - (c) each authorised but unissued Share of HK\$0.10 each be subdivided into 10 shares of HK\$0.01 each (together with new issued shares of HK\$0.01 each formed in paragraph (b) above, the “**Adjusted Shares**”);
 - (d) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company;
 - (e) all amounts standing to the credit of the share premium account of the Company as at the date on which this resolution is passed by the Shareholders be cancelled and the credit arising therefrom be transferred to the contributed surplus account of the Company;

NOTICE OF SGM

- (f) the directors of the Company (the “**Directors**”) be and are hereby authorised to apply the entire amount standing in the contributed surplus account of the Company in such manner as they consider appropriate, including to reduce and from time to time set off the accumulated losses of the Company permitted by the laws of Bermuda and the Bye-Laws of the Company (the “**Bye-Laws**”);
- (g) the authorised share capital of the Company be increased to HK\$750,000,000 divided into 75,000,000,000 Adjusted Shares of HK\$0.01 each by the creation of 2,000,000,000 Adjusted Shares; and
- (h) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to any of the foregoing or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to any of the foregoing and the transactions contemplated thereunder including without limitation to aggregate all of the fractional shares and to sell them for the benefit of the Company.”

ORDINARY RESOLUTION

2. “**THAT**

- (i) the issue by the Company pursuant to the placing agreement (“Placing Agreement”) dated 17 June 2009 entered into between the Company and GT Capital Limited of convertible bonds (the “Placing Bonds”) with an aggregate principal amount up to HK\$200,000,000 entitling the holders thereof to convert the principal amount thereof into ordinary shares of the Company (the “Conversion Shares”) at an initial conversion price of HK\$0.04 per Conversion Share (subject to adjustment) and the issue and allotment of the Conversion Shares upon an exercise of the conversion rights attaching to the Placing Bonds be and is hereby approved;
- (ii) the issue by the Company pursuant to the subscription agreement (“Subscription Agreement”) dated 17 June 2009 entered into between the Company and Wise Sun Holdings Limited of convertible bonds with an aggregate principal amount up to HK\$120,000,000 (the “Subscription Bonds”) entitling the holders thereof to convert the principal amount thereof into Conversion Shares at an initial conversion price of HK\$0.04 per Conversion Share (subject to adjustment) and the issue and allotment of the Conversion Shares upon an exercise of the conversion rights attaching to the Subscription Bonds be and are hereby approved;

NOTICE OF SGM

- (iii) the directors of the Company (the “Directors”) be and are hereby authorised to exercise all the powers of the Company and take all steps as might in their opinion be desirable or necessary in connection with the Placing Agreement and the Subscription Agreement including without limitation to:
- (a) the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements in relation to the issue of the Placing Bonds and Subscription Bonds and the issue and allotment of the Conversion Shares; and
- (b) the taking of all necessary actions to implement the transaction contemplated under the Placing Agreement and Subscription Agreement.”

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

Hong Kong, 20 July 2009

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place
of business in Hong Kong:*
3/F., Chung Nam Building
1 Lockhart Road
Wanchai
Hong Kong

NOTICE OF SGM

Notes:

1. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the SGM. A proxy need not be a member of the Company.
2. A form of proxy for use at the SGM is enclosed. Such form of proxy is also published on the website of the Stock Exchange at www.hkex.com.hk. The form of proxy shall be under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal and under the hand of an officer, attorney or other person authorised to sign the same. The form of proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the offices of the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a member from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.
3. In the case of joint holders of any shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. All the resolutions are to be voted by way of poll.