

*Interim Report* **2013**

# **Sun Innovation Holdings Limited**

Incorporated in Bermuda with limited liability

Stock Code: 547

The Board of Directors of Sun Innovation Holdings Limited (the “Company”) announces the unaudited interim financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013 (the “Review Period”) together with the comparative figures for the corresponding period in 2012.

## CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	For the six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000
<b>Continuing operations</b>			
Revenue	2	<b>123,701</b>	110,473
Cost of sales and services		<b>(113,120)</b>	(100,003)
<hr/>			
Gross profit		<b>10,581</b>	10,470
Other revenue		<b>227</b>	503
Selling and distribution expenses		<b>(3)</b>	(20)
Administrative expenses and other net operating expenses		<b>(17,454)</b>	(11,047)
Finance costs	4	<b>(1,060)</b>	(366)
Fair value gains on investment properties	8	<b>10,500</b>	3,200
<hr/>			
Profit before taxation	3	<b>2,791</b>	2,740
Taxation	5	<b>(510)</b>	(800)
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Profit for the period from continuing operations		<b>2,281</b>	1,940

**CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED** *(Continued)*  
 FOR THE SIX MONTHS ENDED 30 JUNE 2013

		<b>For the six months ended 30 June</b>	
		<b>2013</b>	2012
	Notes	<b>HK\$'000</b>	HK\$'000
<b>Discontinued operation</b>	6		
Loss for the period from discontinued operation		<b>(285)</b>	(789)
Profit for the period		<b>1,996</b>	1,151
Profit attributable to:			
– Owners of the Company		<b>1,996</b>	1,296
– Non-controlling interest		<b>-</b>	(145)
		<b>1,996</b>	1,151
<b>Earnings per share from continuing and discontinued operations:</b>	7		
– Basic and diluted		<b>HK cent 0.020</b>	HK cent 0.013
<b>Earnings per share from continuing operations:</b>	7		
– Basic and diluted		<b>HK cent 0.023</b>	HK cent 0.020

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>1,996</b>	1,151
<b>Other comprehensive income</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<b>2</b>	–
<b>Other comprehensive income for the period, net of tax</b>	<b>2</b>	–
<b>Total comprehensive income for the period</b>	<b>1,998</b>	1,151
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	<b>1,998</b>	1,296
– Non-controlling interest	–	(145)
	<b>1,998</b>	1,151

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2013

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2013</b>	2012
Notes		<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
	Property, plant and equipment	<b>574</b>	711
	Investment properties	<b>155,100</b>	144,600
		<b>155,674</b>	145,311
<b>Current assets</b>			
	Trading merchandise goods	<b>3,428</b>	12,361
	Trade receivables, other receivables and prepayments	<b>37,433</b>	31,205
	Tax recoverable	<b>–</b>	27
	Bank balances and cash	<b>230,886</b>	238,873
		<b>271,747</b>	282,466
<b>Current liabilities</b>			
	Trade payables, other payables and accruals	<b>14,637</b>	16,078
	Bank borrowings	<b>7,440</b>	7,397
	Tax payable	<b>431</b>	108
		<b>22,508</b>	23,583
<b>Net current assets</b>		<b>249,239</b>	258,883
<b>Total assets less current liabilities</b>		<b>404,913</b>	404,194

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

AS AT 30 JUNE 2013

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2013</b>	2012
	Note	<b>HK\$'000</b>	HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings		<b>62,120</b>	63,399
Deferred tax liabilities		<b>999</b>	999
		<b>63,119</b>	64,398
<b>Net assets</b>			
		<b>341,794</b>	339,796
<b>Equity</b>			
Capital and reserves			
Share capital	11	<b>98,327</b>	98,327
Reserves		<b>243,467</b>	241,469
<b>Total equity</b>			
		<b>341,794</b>	339,796

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED**

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital HK\$'000 (Note 11)	Share premium HK\$'000	Land and buildings revaluation reserve HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	
<b>As at 1 January 2012</b>	98,327	245,047	7,355	49,510	15	(66,447)	333,807	(1,798)	332,009
<b>Changes in equity for the six months ended 30 June 2012</b>									
Profit/(loss) for the period	–	–	–	–	–	1,296	1,296	(145)	1,151
Total comprehensive income for the period	–	–	–	–	–	1,296	1,296	(145)	1,151
<b>As at 30 June 2012 and 1 July 2012</b>	98,327	245,047	7,355	49,510	15	(65,151)	335,103	(1,943)	333,160
<b>Changes in equity for the six months ended 31 December 2012</b>									
Profit for the period	–	–	–	–	–	4,663	4,663	404	5,067
Other comprehensive income	–	–	–	–	30	–	30	–	30
Total comprehensive income for the period	–	–	–	–	30	4,663	4,693	404	5,097
Deconsolidation of a subsidiary	–	–	–	–	–	–	–	1,539	1,539
<b>As at 31 December 2012</b>	98,327	245,047	7,355	49,510	45	(60,488)	339,796	–	339,796

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company						Total equity HK\$'000
	Share capital HK\$'000 (Note 11)	Share premium HK\$'000	Land and buildings revaluation reserve HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	
<b>As at 1 January 2013</b>	98,327	245,047	7,355	49,510	45	(60,488)	339,796
<b>Changes in equity for the six months ended 30 June 2013</b>							
Profit for the period	–	–	–	–	–	1,996	1,996
Other comprehensive income	–	–	–	–	2	–	2
Total comprehensive income for the period	–	–	–	–	2	1,996	1,998
<b>As at 30 June 2013</b>	98,327	245,047	7,355	49,510	47	(58,492)	341,794

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED**

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(6,924)</b>	(6,297)
Net cash generated from investing activities	<b>169</b>	669
Net cash (used in)/generated from financing activities	<b>(1,236)</b>	67,115
(Decrease)/increase in cash and cash equivalents	<b>(7,991)</b>	61,487
Cash and cash equivalents at 1 January	<b>238,873</b>	182,342
Effect of foreign exchange rate changes	<b>4</b>	(1)
Cash and cash equivalents at 30 June	<b>230,886</b>	243,828
Represented by:		
Bank balances and cash	<b>230,886</b>	243,828

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 – "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012.

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

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

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

		<b>Effective date</b>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities	(i)
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities	(i)
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets	(i)
HKFRS 9	Classification of Financial Assets and Financial Liabilities	(ii)

*Effective date:*

- (i) Annual periods beginning on or after 1 January 2014
- (ii) Annual periods beginning on or after 1 January 2015

## 2. Revenue and segment information

### Reportable segments

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

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

- Property investment
- Trading
- Entertainment media (mobile entertainment business) (discontinued during the year ended 31 December 2010 – Note 6)

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

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

	Continuing operations						Discontinued operation			
	Property investment		Trading		Total		Entertainment media		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue from external customers	<b>2,793</b>	2,618	<b>120,908</b>	107,855	<b>123,701</b>	110,473	-	-	<b>123,701</b>	110,473
Reportable segment profit/(loss)	<b>2,302</b>	1,990	<b>7,369</b>	8,016	<b>9,671</b>	10,006	-	(574)	<b>9,671</b>	9,432
Reportable segment assets	<b>156,029</b>	146,041	<b>67,628</b>	61,674	<b>223,657</b>	207,715	<b>43</b>	44	<b>223,700</b>	207,759

## 2. Revenue and segment information *(Continued)*

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

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Profit before taxation (including continuing and discontinued operations)</b>		
Reportable segment profit	<b>9,671</b>	9,432
Segment loss from discontinued operation	–	574
Other revenue	<b>227</b>	503
Unallocated corporate expenses	<b>(16,547)</b>	(10,603)
Fair value gains on investment properties	<b>10,500</b>	3,200
Finance costs	<b>(1,060)</b>	(366)
Consolidated profit before taxation from continuing operations	<b>2,791</b>	2,740
	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Assets</b>		
Reportable segment assets	<b>223,700</b>	207,759
Unallocated bank balances and cash	<b>201,670</b>	217,519
Unallocated corporate assets	<b>2,051</b>	2,499
Consolidated total assets	<b>427,421</b>	427,777

**2. Revenue and segment information** *(Continued)*

## (c) Geographic information

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

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>2,793</b>	2,618
Mainland China	<b>120,908</b>	107,855
	<b>123,701</b>	110,473

**3. Profit before taxation****For the six months  
ended 30 June**

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000

**Continuing operations**

This is arrived at after charging/crediting:

*Crediting:*

Interest income	<b>227</b>	503
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*Charging:*

Staff costs (including directors' remuneration)	<b>5,696</b>	5,158
Depreciation of property, plant and equipment	<b>167</b>	183

**4. Finance costs**

	Note	<b>For the six months ended 30 June</b>	
		<b>2013 HK\$'000</b>	2012 HK\$'000
Interests on:			
Borrowings wholly repayable within five years		<b>285</b>	215
Borrowings not wholly repayable within five years		<b>1,060</b>	366
		<b>1,345</b>	581
Attributable to continuing operations reported in the unaudited condensed consolidated income statement		<b>1,060</b>	366
Attributable to discontinued operation	6	<b>285</b>	215
		<b>1,345</b>	581

**5. Taxation**

Taxation charged in the unaudited condensed consolidated income statement represents:

	<b>For the six months ended 30 June</b>	
	<b>2013 HK\$'000</b>	2012 HK\$'000
Current taxation – Hong Kong profits tax for the period	<b>510</b>	800

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

## 6. Discontinued operation

During the year ended 31 December 2010, the Group ceased its operations in entertainment media business which is referred to as the “Discontinued Operation”. On 20 December 2010, the Group decided not to continue to finance its entertainment media business. Further details were set out in the Company’s announcement dated 20 December 2010. As at 31 December 2010, the Discontinued Operation ceased operation and accordingly this segment was classified as discontinued operation in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The revenue and results of the Discontinued Operation were as follows:

		<b>For the six months ended 30 June</b>	
		<b>2013</b>	2012
	Note	<b>HK\$’000</b>	HK\$’000
Revenue		–	–
Administrative expenses and other net operating expenses		–	(574)
Finance costs	4	<b>(285)</b>	(215)
		<hr/>	<hr/>
Loss before taxation		<b>(285)</b>	(789)
Taxation		–	–
		<hr/>	<hr/>
Loss for the period from the Discontinued Operation		<b>(285)</b>	(789)

## 7. Earnings per share

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

### From continuing and discontinued operations

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<b>1,996</b>	1,296
	<b>Number of shares</b>	
	<b>2013</b>	2012
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>9,832,685,768</b>	9,832,685,768

### From continuing operations

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Profit for the period for the purpose of basic earnings per share from continuing operations	<b>2,281</b>	1,940

#### *Diluted earnings per share from continuing and discontinued operations*

The denominators used are the same as those detailed above for calculating basic and diluted earnings per share from continuing and discontinued operations.

As there is no potential dilutive share during the current and prior periods, the basic and diluted earnings per share for (i) continuing and discontinued operations and (ii) continuing operations in the respective periods are equal.

**7. Earnings per share (Continued)****From discontinued operation**

Basic loss per share for the discontinued operation is HK cent 0.003 (2012: HK cent 0.007) per share, based on the loss for the period from the discontinued operation of HK\$285,000 (2012: HK\$644,000) attributable to owners of the Company and the denominators detailed above for both basic and diluted earnings per share of the continuing and discontinued operations.

*Diluted loss per share from discontinued operation*

As there is no potential dilutive share during the current and prior periods, the basic and diluted losses per share for the discontinued operation in the respective periods are equal.

**8. Investment properties**

	HK\$'000
<b>FAIR VALUE</b>	
As at 1 January 2013	144,600
Fair value gains	10,500
	<hr/>
As at 30 June 2013	155,100
	<hr style="border: 1px solid black;"/>

Investment properties were valued at 30 June 2013 by DTZ Debenham Tie Leung Limited, an independent firm of professionally qualified valuers, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued, by direct comparison method on an open market value basis. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. This valuation gave rise to fair value gains of HK\$10,500,000 during the period (2012: HK\$3,200,000).

The property rental income earned by the Group from its investment properties, most of which are leased out under operating leases, amounted to HK\$2,793,000 (2012: HK\$2,618,000). Direct operating expenses arising on the investment properties during the period amounted to HK\$427,000 (2012: HK\$468,000).

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

## 9. Trade receivables, other receivables and prepayments

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

	<b>30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
Trade receivables		
Current	<b>35,716</b>	20,729
1 to 30 days	<b>119</b>	8,488
	<b>35,835</b>	29,217
Other receivables and prepayments	<b>1,598</b>	1,988
	<b>37,433</b>	31,205

## 10. Trade payables, other payables and accruals

The ageing analysis of Group's trade payables, based on due date, is as follows:

	<b>30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
Trade payables		
1 to 30 days	<b>8,989</b>	12,521
31 to 60 days	-	-
61 to 90 days	-	-
Over 90 days	<b>14</b>	14
	<b>9,003</b>	12,535
Other payables and accruals	<b>5,634</b>	3,543
	<b>14,637</b>	16,078

## 11. Share capital

### Ordinary Shares

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 December 2012 and 30 June 2013	75,000,000,000	750,000
Issued and fully paid:		
As at 31 December 2012 and 30 June 2013	9,832,685,768	98,327

## 12. Related party transactions

The Group did not have any related party transaction for the both periods and there is no balance with related party as at 30 June 2013 and 31 December 2012.

## 13. Capital commitment

The Group did not have any significant capital commitment as at 30 June 2013 and 31 December 2012.

## 14. Significant event after the reporting period

On 27 March 2013, the Group entered into a conditional sale and purchase agreement (as amended by a side letter dated 23 May 2013 by the same signing parties, referred as the "Sale and Purchase Agreement") with Harmony Energy Limited ("HEL") and Ms. Gegen Tana (collectively as the "Vendors") and Mr. Che Fung as the guarantor of HEL, pursuant to which the Vendors had agreed to sell and the Group had agreed to purchase the sale shares of Upfield Sky Limited (the "Target Company") at a consideration of HK\$392 million. In addition, HEL should assign to the Group all the right, title and interest in the shareholder's loan at its principal amount outstanding at the date of completion, subject to a maximum amount of US\$3 million (equivalent to HK\$23.28 million) unless otherwise agreed by the Group in accordance with the Sale and Purchase Agreement.

**14. Significant event after the reporting period** *(Continued)*

The Target Company's principal asset was its equity shareholding in a group of companies (the "Digital Domain Group") which consisted of Galloping Horse US, LLC, Galloping Horse – Reliance, LLC, Digital Domain 3.0, Inc., Digital Domain Productions 3.0 (BC), Ltd. and Mothership Media, Inc. The Digital Domain Group acquired certain assets of a number of subsidiaries of Digital Domain Media Group, Inc. ("DDMG"), together with its subsidiaries, the "DDMG Group") through which DDMG was engaged in the business of visual effect production and animation. The assets acquired include the rights in certain contracts and film projects, rights in real estate leases, fixed assets and equipment, intellectual property registrations, intangible properties and all related rights, accounts receivable, etc. relating to that business.

The shares of DDMG were originally traded on the New York Stock Exchange. On 11 September 2012, DDMG filed for Chapter 11 bankruptcy protection mainly due to, among others, liquidity issues and its shares were subsequently delisted from the New York Stock Exchange. The business of the DDMG Group thereafter underwent a series of restructuring in accordance with the United States' Bankruptcy Code before those assets of the DDMG Group were acquired by the Digital Domain Group. Currently, Digital Domain Group has four business segments: (i) feature films; (ii) commercial production; (iii) co-production and (iv) digital human business.

The acquisition provides an opportunity for the Group to re-enter the media related business which ceased in 2010 by tapping into the visual effect production and animation market and to generate diversified income and additional cash flow for the Group's continuous development.

The 10,000 sale shares, representing 100% of the issued share capital of the Target Company, of which 4,860 shares were held by HEL and 5,140 shares were held by Ms. Gegen Tana. The aforesaid shareholder's loan outstanding as at the date of completion is interest-free and not repayable within twelve months from the end of 31 January 2013.

The nominal consideration for the sale shares was HK\$392 million which was satisfied by the issue of convertible notes in the aggregate principal amount of HK\$392 million (the "Convertible Notes") to the Vendors apportioned as to the principal amount of HK\$190.512 million to HEL and the principal amount of HK\$201.488 million to Ms. Gegen Tana.

**14. Significant event after the reporting period** *(Continued)*

A special general meeting was held on 3 July 2013 at which the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the convertible notes and the issue and allotment of the conversion shares) were approved by the shareholders and was completed on 4 July 2013. The Convertible Notes were issued to HEL and Ms. Gegen Tana respectively on 4 July 2013 and the outstanding principal amount of the shareholder's loan of approximately HK\$16.10 million at the date of completion was fully settled by cash.

The valuation of the assets acquired and liabilities assumed as well as cost of acquisition is pending for finalisation as of the date these unaudited condensed consolidated interim financial statements were authorised for issuance and therefore the financial information in relation to the acquisition has not been disclosed in these unaudited condensed consolidated interim financial statements.

Further details are set out in the Company's announcements dated 19 November 2012, 28 March 2013, 30 April 2013, 30 May 2013, 3 July 2013 and 4 July 2013 and the circular dated 14 June 2013 respectively.

**15. Comparative figures**

Certain comparatives have been reclassified to confirm with the current period presentation.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

## **BUSINESS REVIEW**

During the Review Period, the Company and its subsidiaries (collectively known as the "Group") reported an unaudited consolidated turnover from its continuing operations of HK\$123,701,000 (2012: HK\$110,473,000), representing an increase of 12%. The gross profit of the Group from continuing operations amounted to HK\$10,581,000 (2012: HK\$10,470,000) during the Review Period. The increase in turnover was mainly attributable to the persistent development of the Trading Segment. The total assets of the Group amounted to HK\$427,421,000 as at 30 June 2013 (at 31 December 2012: HK\$427,777,000). Due to the fair value gains on investment properties, the Group recorded a profit after taxation from the continuing operations for the Review Period in the amount of HK\$2,281,000 (2012: profit of HK\$1,940,000).

### **Property Investment Segment**

During the first half of 2013, the turnover of the Property Investment Segment increased by 7% to HK\$2,793,000 (2012: HK\$2,618,000) with satisfactory rental and occupancy rates. The profit of this Segment remained stable during the Review Period, amounting to HK\$2,302,000 (2012: HK\$1,990,000).

All shops and majority of the car parks of the properties of the Company situated at Citicorp Centre in Hong Kong were leased out during the Review Period. The investment properties portfolio of this Segment continues to contribute as a steady income stream for the Group.

### **Trading Segment**

During the Review Period, the Trading Segment has continued to flourish and achieved a turnover of HK\$120,908,000 (2012: HK\$107,855,000), representing a growth of 12% compared to the previous corresponding period. The turnover of the Trading Segment made a significant contribution of 98% to the overall turnover of the Group during the Review Period. Due to the increase in operating expenses, the profit of the Trading Segment decreased 8% to HK\$7,369,000 (2012: HK\$8,016,000).

**BUSINESS REVIEW** *(Continued)***Trading Segment** *(Continued)*

This Segment was engaged in the trading of metal scraps (e.g. copper wire) and plastic scraps among Hong Kong, Mainland China and other countries/regions during the first half of 2013. As the performance of the trading business highly depends on regional and global economic conditions, the Group would adopt appropriate business strategies as well as explore suitable opportunities for the Trading Segment in order to maintain the growth and achieve further development under the prevailing economic environment.

**CAPITAL**

As at 30 June 2013, the total number of issued shares of the Company was 9,832,685,768.

On 4 July 2013, the Company issued convertible notes in the aggregate principal amount of HK\$392 million (the "Convertible Notes"), of which the principal amount of HK\$190.512 million was issued to Harmony Energy Limited and the principal amount of HK\$201.488 million to Ms. Gegen Tana, as consideration of the acquisition of the sale shares of Upfield Sky Limited. Based on the initial conversion price of HK\$0.04 per conversion share, 9,800,000,000 conversion shares will be allotted and issued if the conversion rights attaching to the Convertible Notes are exercised in full, representing approximately 99.67% of the issued share capital of the Company as at 30 June 2013 and approximately 49.92% of the Company's issued share capital as enlarged by the allotment and issue of the conversion shares upon conversion of the Convertible Notes in full (assuming there is no change in the issued share capital of the Company between 30 June 2013 and the date of allotment and issue of the Conversion Shares).

Details of the aforesaid acquisition in relation to the issue of the Convertible Notes are disclosed in the section of "MAJOR TRANSACTION / POST-BALANCE SHEET EVENT" below.

Except as disclosed above, there were no other securities in issue.

## **MAJOR TRANSACTION / POST-BALANCE SHEET EVENT**

On 27 March 2013, the Company and Digital Domain Enterprise Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (as amended by a side letter dated 23 May 2013 by the same signing parties, referred as the “Sale and Purchase Agreement”) with Harmony Energy Limited (“HEL”) and Ms. Gegen Tana (collectively as the “Vendors”) and Mr. Che Fung as the guarantor of HEL, pursuant to which the Vendors had agreed to sell and the Purchaser had agreed to purchase the sale shares of Upfield Sky Limited (the “Target Company”) at a consideration of HK\$392 million. In addition, HEL should assign to the Purchaser all the right, title and interest in the shareholder’s loan at its principal amount outstanding at the completion.

The Target Company’s principal asset was its equity shareholding in a group of companies (the “Digital Domain Group”) which consisted of Galloping Horse US, LLC, Galloping Horse – Reliance, LLC, Digital Domain 3.0, Inc., Digital Domain Productions 3.0 (BC), Ltd. and Mothership Media, Inc. The Digital Domain Group acquired certain assets of a number of subsidiaries of Digital Domain Media Group, Inc. (“DDMG”), together with its subsidiaries, the “DDMG Group”) through which DDMG was engaged in the business of digital production and animation. The assets acquired include the rights in certain contracts and film projects, rights in real estate leases, fixed assets and equipment, intellectual property registrations, intangible properties and all related rights, accounts receivable, etc. relating to that business.

The shares of DDMG were originally traded on the New York Stock Exchange. On 11 September 2012, DDMG filed for Chapter 11 bankruptcy protection mainly due to, among others, liquidity issues and its shares were subsequently delisted from the New York Stock Exchange. The business of the DDMG Group thereafter underwent a series of restructuring in accordance with the United States’ Bankruptcy Code before those assets of the DDMG Group were acquired by the Digital Domain Group.

According to the information provided by the Vendors and the Target Group, Digital Domain Group is a leading provider of visual effect production for major motion picture studios and advertisers. Currently, Digital Domain Group has four business segments: (i) feature films; (ii) commercial production; (iii) co-production and (iv) digital human business.

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

The 10,000 sale shares, representing 100% of the issued share capital of the Target Company, of which 4,860 shares were held by HEL and 5,140 shares were held by Ms. Gegen Tana. The aforesaid shareholder's loan outstanding as at the completion is interest-free and not repayable within twelve months from the end of 31 January 2013. As at 31 January 2013, the outstanding principal amount of shareholder's loan is approximately HK\$15.64 million.

The consideration for the sale shares was HK\$392 million which was satisfied by the issue of the Convertible Notes in the aggregate principal amount of HK\$392 million to the Vendors apportioned as to the principal amount of HK\$190.512 million to HEL and the principal amount of HK\$201.488 million to Ms. Gegen Tana. The consideration for the shareholder's loan would be an amount equal to the principal amount of the shareholder's loan outstanding as at completion subject to the maximum amount of US\$3 million (equivalent to approximately HK\$23.28 million) unless otherwise agreed by the Purchaser in writing in accordance with terms in the Sale and Purchase Agreement. The cash portion of the consideration will be financed by the Group's internal resources.

As the applicable percentage ratios (calculated in accordance with Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") exceed 25% but are less than 100%, the acquisition contemplated under the Sale and Purchase Agreement constituted a major transaction of the Company under Chapter 14 of the Listing Rules and was therefore subject to reporting, announcement, circular and shareholders' approval requirements.

A special general meeting was held on 3 July 2013 at which the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Convertible Notes and the issue and allotment of the conversion shares) were approved by the shareholders and was completed on 4 July 2013 subsequently. The Convertible Notes were issued to HEL and Ms. Gegen Tana respectively on 4 July 2013.

Details of the transactions contemplated under the Sale and Purchase Agreement, the special general meeting and the completion were disclosed in the announcements dated 28 March, 30 April, 30 May, 3 July and 4 July 2013 and the circular dated 14 June 2013 respectively.

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

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

During the Review Period, the Group had banking facilities in form of instalment loans in principal amount of HK\$64,700,000. These banking facilities were secured by the Group's investment properties with aggregate net book value of HK\$155,100,000 as at 30 June 2013.

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

The cash and bank balances as at 30 June 2013 was approximately HK\$230,900,000. As at 30 June 2013, the Group had banking facilities of approximately HK\$69,600,000. These bank loans were at floating interest rate and denominated in Hong Kong dollars. During the Review Period, all bank loans of the Group (except the Five Years Loan mentioned above) were classified as current liability and non-current liability according to the agreed scheduled repayments dates. According to the agreed scheduled repayments dates, the maturity profile of the Group's bank borrowings (except the Five Years Loan that is fully classified as current liability) as at 30 June 2013 was spread over a period of 20 years, with approximately 10% repayable within one year, 16% repayable between two to five years and 74% repayable over five years.

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

The Group's current assets were approximately HK\$271,700,000 while the current liabilities were approximately HK\$22,500,000 as at 30 June 2013. As at 30 June 2013, the Group's current ratio was 12.1 (at 31 December 2012: 11.8).

As at 30 June 2013, the Group's gearing ratio, representing the Group's bank loans, non-bank loans and convertible bonds (if any) divided by the equity attributable to owners of the Company was 20.4% (at 31 December 2012: 21%).

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

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

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

**CONTINGENT LIABILITIES**

As at 30 June 2013, the Group did not have any material contingent liabilities.

**EMPLOYEE OF THE GROUP**

The Group has adopted competitive remuneration package for its employees according to their performance. There are also contributions to provident fund schemes, medical subsidies and examination leaves offered to all full-time staff and tax protection scheme may be offered to executive directors.

As at 30 June 2013, the total headcount of the Group was 24.

## **PROSPECT**

Continuing with the spirit of perseverance in the year of 2013, the Group has identified an opportunity to invest in the media entertainment industry and entered into a memorandum of understanding in November 2012 to express its intention to invest in this business. With persistence strive, the Group achieved a prominent step and has completed the acquisition of the target group which is principally engaged in the operation of visual effects studios in United States. The Group is still facing various challenges in the coming years and shall strive to develop the new business segment in media entertainment industry and to explore more potential opportunities for the benefit of our valued shareholders and investors.

## **SHARE OPTION SCHEME**

The share option scheme of the Company was adopted on 27 April 2012 (the "Option Scheme"). Pursuant to the Option Scheme, the Directors are authorised to grant options to any executive or non-executive directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards. Apart from the Option Scheme, the Company did not have any other share option scheme.

During the Review Period, the Company did not grant any options to any person and as at 30 June 2013 there was no outstanding options to subscribe for any shares of the Company under the Option Scheme.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES**

As at 30 June 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange 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 (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES** (Continued)**Ordinary shares of HK\$0.01 each**

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

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

Save as disclosed above, as at 30 June 2013, none of the Directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2013, so far as is known to the Directors and the chief executives of the Company, the following persons had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

**SUBSTANTIAL SHAREHOLDERS** *(Continued)*  
**Ordinary shares of HK\$0.01 each**

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Total number of Shares</b>	<b>Approximate percentage of issued share capital of the Company (%)</b>
Wise Sun Holdings Limited	Beneficial owner <i>(Note 1)</i>	2,610,395,180	26.55%
Bright Ace Holdings Limited	Held by controlled corporation <i>(Note 1)</i>	2,610,395,180	26.55%
Zhou Jian	Held by controlled corporation <i>(Note 1)</i>	2,610,395,180	26.55%
Fortune Source International Limited	Beneficial owner <i>(Note 2)</i>	1,125,000,000	11.44%
Zhang Xiaogun	Held by controlled corporation <i>(Note 2)</i>	1,125,000,000	11.44%
Long Gate Limited	Beneficial owner <i>(Note 3)</i>	845,500,000	8.60%
Kwok Ho Wan	Held by controlled corporation <i>(Note 3)</i>	845,500,000	8.60%

*Notes:*

1. Wise Sun Holdings Limited is wholly owned by Bright Ace Holdings Limited which in turn is wholly owned by Mr. Zhou Jian.
2. Fortune Source International Limited is wholly owned by Mr. Zhang Xiaogun.
3. Long Gate Limited is wholly owned by Mr. Kwok Ho Wan.

**SUBSTANTIAL SHAREHOLDERS** *(Continued)*

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at 30 June 2013, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

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

There was a banking facility (the "Facility") with the principal amount of HK\$6,000,000 provided by a bank in Hong Kong to an indirectly-owned subsidiary of the Company (the "Subsidiary"), among the Entertainment Media Segment which was discontinued by the end of December 2010, and imposed certain specific performance obligations on the Company, pursuant to which, the Company should not (i) hold less than 51% of the Subsidiary's equity interests effectively and (ii) hold less than 100% of equity interest in an intermediate wholly-owned subsidiary of the Company which held the Subsidiary ("Intermediate Holding Company"). The bank had the right to demand for repayment of all outstanding amounts due by the Subsidiary under the Facility, unless otherwise approved by the bank, if there is any breach of the aforesaid conditions. As at 30 June 2013, the outstanding loan principal of this Facility amounted to approximately HK\$4,854,000 and the original last monthly instalment repayment should be in the year 2014.

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

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

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

**CORPORATE GOVERNANCE**

During the six months ended 30 June 2013, the Company was in compliance with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules except for the following:

- (a) The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to Bye-law 87(1) of the Company's Bye-laws;
- (b) There is no separation of the role of the Chairman and the Chief Executive Officer ("CEO") of the Company. Mr. Zhou Jian is the Chairman of the Company and the Company does not have any chief executive or any officer with the title of CEO. The roles and functions of CEO are performed by all the executive directors of the Company collectively in view of the current size of the Group. The Board will periodically review such arrangement and may adopt appropriate measures in future during the further development of the Group's businesses; and
- (c) The independent non-executive directors of the Company were not appointed for a specific term. However, they are subject to retirement by rotation and eligible for re-election at the annual general meeting pursuant to the Company's Bye-laws and the Code. The service contracts of all the independent non-executive directors have a termination notice requirement of one month.

**CHANGES OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND COMPOSITION OF AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE**

Mr. Tam Tak Kei Raymond has resigned as independent non-executive director, member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company with effect from 9 August 2013.

Mr. Wong Ka Kong Adam has been appointed as an independent non-executive director and also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company with effect from 9 August 2013.

Details of the aforesaid changes were disclosed in the Company's announcements dated 9 August 2013.

**CHANGE OF COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE**

On 12 July 2013, the company secretary of the Company, Ms. Chow Fung Ling, has resigned as the company secretary, an authorized representative as required under Rule 3.05 of the Listing Rules and an authorized representative of the Company for the acceptance of service of process and notices in Hong Kong under the Chapter 32 of the Laws of Hong Kong (the "Companies Ordinance"). On the same date, Mr. Zhou Jian, the Chairman of the Company, was appointed as the aforesaid authorized representatives as required under the Listing Rules and the Companies Ordinance respectively while Mr. Wong Cheung Lok, the Chief Financial Officer, would hold the position as the company secretary of the Company pending the appointment of a suitable candidate for such position.

Details of the aforesaid changes were disclosed in the Company's announcement dated 12 July 2013.

**MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

**AUDIT COMMITTEE**

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal operation and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2013 with the directors.

By Order of the Board

**Zhou Jian**

*Chairman*

Hong Kong, 20 August 2013